

JOURNAL
OF THE
AMERICAN BANKERS
ASSOCIATION

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JOURNAL

OF THE

AMERICAN BANKERS ASSOCIATION

Current Events

The St. Louis Convention

The week of September 29 has been selected for the forty-fifth annual convention of the American Bankers Association at St. Louis, Missouri. The local committees have been appointed by the St. Louis Clearing House and are published in another portion of this month's JOURNAL.

Probably no city in the country entertains bankers' conventions more frequently than St. Louis. The Missouri Bankers Association meets there almost yearly, so that the St. Louis bankers will be equal to the occasion of entertaining the American Bankers Association with typical St. Louis hospitality and with a complete attention to detail.

General Secretary Farnsworth attended a meeting of the General Committee on Arrangements at St. Louis, June 25, where plans were formulated regarding the general details of the convention. The local committee decided on selecting the three well known, first class hotels for headquarters, with general registration in each of these hotels: the Statler, Jefferson and Planters. The local Hotel Committee will assign reservations of rooms as follows:

Hotel Statler: Executive Council, A. B. A. Officials, Commissions and Committees, Trust Company Section, State Secretaries Section.

Hotel Jefferson: Savings Bank Section, State Bank Section.

Planters Hotel: National Bank Section, Clearing House Section.

All applications for hotel accommodations must be made through A. C. White, manager St. Louis Clearing House, St. Louis, Missouri. Mr. White is chairman of the local Hotel Committee. The Committee requests that as far as possible bankers who will not be accompanied by their wives, endeavor to join with other banker friends in asking for a double room. This will enable the Hotel Committee to take care of a larger number of people in the better hotels of St. Louis.

The Administrative Committee at its recent meeting at White Sulphur Springs adopted the following plan for the various meetings at St. Louis:

Monday, September 29: Committee meetings,

morning; section meetings, afternoon; Executive Council, evening.

Tuesday, September 30: General Convention, opening session, morning; section meetings, afternoon.

Wednesday, October 1: General Convention, morning; section meetings, afternoon.

Thursday, October 2: General Convention, morning and afternoon.

New Clothes, New Manners

Many an inward regeneration is signalized by a change of outward habiliments. It is with the consciousness of something akin to a new birth, therefore, that the JOURNAL in this issue makes its bow, at the commencement of its twelfth year of existence—an existence not altogether uneventful—in a new cover dress, a design which is intended to serve from month to month and become firmly fixed in the minds of its owners, the members of the American Bankers Association.

From the implication conveyed above, it will be surmised that this putting on of a new outer garment indicates a still deeper change within. It does. The resolution of the Executive Council of the American Bankers Association, adopted at White Sulphur Springs, May 21, restores to the pages of the JOURNAL the use of contributed articles other than official matter and lays down certain rules which will mark the beginning of a definite policy for this publication. The resolution referred to was published in full in the June issue. Besides restoring contributed articles, it provided for the appointment of a special committee to pass on such articles and to act in an advisory capacity as to matters connected with the policy of the JOURNAL.

As a result of this action by the Executive Council, the JOURNAL is now permitted to publish communications from members on subjects which they would like to see discussed in these pages, and articles of general banking and economic interest written by other than officers of the Association and its sections. It is hoped and believed that with the new field thus opened, there will be a revival of interest in the JOURNAL on the part of members of the Association, and that they will use it as a forum for discussion of current subjects, remembering that they are its

owners and that the publication will succeed and achieve popularity only to the extent to which they believe in it and use it themselves. It must be kept in mind, of course, that in all discussions of banking and financial problems, the opinions expressed are those of individuals and not of the Association. Under its constitution, the only way in which the Association can give voice to its sentiments is through resolution of the general convention.

Members of the Association are not only invited, but urged, to write to the JOURNAL on any subject which they conceive to be for the good of the banking fraternity. It may be that in the exercise of its discretionary powers the JOURNAL Committee will see fit to order the modification or even elimination of some of the matter submitted for publication; but in that event, it is hoped the contributor affected will regard the matter in the proper light, as being necessary for the greatest good to the greatest number.

End of the Gold Embargo

On the recommendation of the Federal Reserve Board, the United States Government on June 9 announced that "the control which has heretofore been exercised over transactions in foreign exchange and over the exportation of coin, bullion and currency" had been terminated, "except as to the importation or exportation of ruble notes or exchange operations with that part of Russia now under the control of the so-called Bolshevik Government, and except as to exchange transactions with territories in respect of which such transactions are at present permitted only through the American Relief Association."

Inasmuch as licenses for the export of silver had been granted prior to the above announcement, the only change of policy involved is in relation to gold. While applications for both gold and silver exports must continue for the present to be made to the Federal Reserve Board, it was stated that licenses for export of gold would be granted freely regardless of destination.

In making its recommendation the Board felt that in view of this country's strong gold position, even a considerable outward movement of the metal could be faced with equanimity, and that the step was in the direction of restoring normal conditions throughout the world. Within forty-eight hours after the Federal Government's lifting of the embargo engagements were made in New York for the shipment of \$15,000,000 gold to South America and the Far East. Other shipments were announced in quick succession, and June 24 an engagement of \$100,000 gold was made for Europe. All told, up to the 25th of the month, the Federal Reserve Board had issued licenses for the exportation of over \$200,000,000 of the metal, but in some quarters the opinion was expressed that the total of the actual movement would not go much above \$75,000,000 and that this amount would serve to correct the position of the American dollar in South American markets.

While it is not likely that the gold status of this country will be affected materially for some time to

come, still, viewed from the standpoint of removing as soon as possible all barriers to the free operation of economic laws, the dropping of the embargo is a step in the right direction.

The Swedish Loan

The action of the Swedish Government the middle of last month in placing a \$20,000,000 loan here through a syndicate of American banks attracted attention as being the probable forerunner of more European loans to come in the near future. The chief interest in the transaction lies in the fact that it may mark the resumption of the practice of European governments in attempting to float loans here on an open-market basis, which has not been the case since the United States, on entering the war, undertook the task of financing the allied powers through direct government loans.

The Swedish offering consisted of twenty-year 6 per cent. bonds, maturing June 15, 1939. They are a direct general obligation of the Swedish Government. It was stated that the money received from the flotation would all be spent in the United States in payment of commodities.

Foreign Exchange Ban Removed

Another move toward the resumption of normal conditions was the order issued June 24 by Fred I. Kent, director of the Division of Foreign Exchange of the Federal Reserve Board, rescinding, until further notice, all restrictions on dealings in the allied and neutral exchanges. This order reads as follows:

"Until otherwise instructed, dealers, as defined under the executive order of the President of January 2, 1918, are hereby authorized to carry on transactions in foreign exchange or in securities for or through foreign account without restriction, except as hereinafter provided.

"Registration certificates must be obtained, as required under the executive order. (All registration certificates which have been issued to date continue in force.)

"Customers' statements of non-enemy interest need not be taken, but no foreign exchange transactions can be consummated for enemy account unless authorized in a general or a specific license issued by the War Trade Board. Further statistical reports, after those including transactions up to the close of business Wednesday evening, June 25, 1919, need not be made except as called for by the Federal Reserve Board.

"Declarations of foreign correspondents on Form F. E. 114 and declarations of non-enemy interest covering security transactions on Form F. E. 113 need not be taken and interest or dividend checks payable for foreign account need not have customers' statements printed upon them, but 'dealers' cannot carry out transactions either directly or indirectly for the benefit of or for account of an enemy or ally of enemy

except under the authority of a general or a specific license issued by the War Trade Board.

"Until otherwise instructed, the exportation or importation of Russian rubles, or the transfer of funds for their purchase by persons and dealers in the United States, as described under the executive order of the President of January 26, 1918, is prohibited. Dealings in foreign exchange or securities with or for persons in that part of Russia now under the control of the so-called Bolsheviki Government are also prohibited.

"Until otherwise instructed, 'dealers' are prohibited from purchasing exchange except from the American Relief Association, 42 Broadway, upon any of the following countries: Finland, Poland, Czechoslovakia, German-Austria, Jugo-Slavia, Serbia, Roumania and Germany."

Wires to be Returned

Government operation of telegraph and telephone companies was relinquished in an order issued June 7 by Postmaster-General Burleson. While turning the lines back to private operation, the Postmaster-General reserved the right to fix and control rates.

Conferences of the Senate and House on June 24 agreed on legislation to end government control of all the wire systems. The plan is to have the change become effective on the last day of the month in which the bill is signed, and as it is expected that this will be early in July, the wires will revert to their owners at midnight July 31.

Banks May Help in Foreign Trade

Legislation authorizing national banks, until January 1, 1921, to invest not more than 5 per cent. of their capital and surplus in corporations organized for the purpose of financing foreign trade has been recommended to Congress by the Federal Reserve Board. This recommendation comes as the result of a conference held by the Board with the Executive Committee of the Federal Advisory Council for the purpose of considering the situation created by the immediate demands for financing European requirements for reconstruction purposes. As the capital and surplus of the national banks now exceed \$2,000,000,000, the amendment recommended by the Reserve Board would make available about \$100,000,000 for the purpose intended. In announcing the results of the conference the Board said:

"The Federal Reserve Board had today a conference with the Executive Committee of the Federal Advisory Council (James B. Forgan of Chicago, L. L. Rue of Philadelphia, Daniel G. Wing of Boston and W. S. Rowe of Cincinnati), to consider problems relating to the financing of the foreign trade of the United States.

"There was discussion as to what unusual features attached to this trade and the bearing thereof upon the American banking situation. The board and the committee of the council were in entire accord that the matter of providing long-term advances for

Europe presented an investment rather than a banking problem and that the necessary help must therefore come from the investment market.

"It was, however, the opinion of the conference that as a step toward supporting plans for the financing of our foreign trade it would be well to add a new paragraph to Section 25 of the Federal Reserve Act so as to permit national banks until January 1, 1921, without regard to the amount of their capital and surplus, to invest not exceeding in the aggregate 5 per centum of their capital and surplus in the stock of one or more corporations principally engaged in such phases of international or foreign financial operations as may be necessary to facilitate the export of goods from the United States."

To Protect Liberty Bond Owners

A cotton mill man from South Carolina journeyed to New York City recently to ask the aid of the Associated Advertising Clubs of the World, says a bulletin issued by that organization, in the protection of negro workmen in the cotton mills, who are earning bigger wages than they ever earned before, against the machinations of wild-cat stock promoters who find the negroes uncommonly easy picking. The stock salesmen found a shrewd way to make the negroes discount all advice which the mill owners might give them. They told the negroes that while Liberty bonds were safe, the returns would not be high enough—and the mill owners, they told the negroes, wanted them to have bonds in place of "high-dividend" stock, because the owners wanted them to remain poor. The negroes were convinced that such was the motive of the mill owners—that if they remain poor, they will be dependent upon their earnings, and the owners of the mills will continue to have the whip-hand.

The advertising clubs are raising a fund for the enlargement of the work they have been doing to stamp fraud out of advertising and other phases of selling. Through the employment of this special fund, the work is to be greatly enlarged.

Referendum on Railroad Questions

A referendum vote is being taken of the members of the Chamber of Commerce of the United States on a series of proposals for remedial railroad legislation. The recommendations were formulated by the Railroad Committee of the Chamber after careful study of the transportation situation and embody the following:

Corporate ownership and operation with comprehensive regulation; return of the railroads to corporate operation as soon as remedial legislation can be enacted; adherence to the period of Federal control as now fixed unless and until impossibility of remedial legislation in this period closely appears; permission for consolidation in the public interest, with prior approval by government authority, in a limited number of strong competing systems; requirement that railroad companies engaged in interstate commerce become Federal corporations with rights of taxation and

police regulation reserved for the states; Federal regulation of capital expenditures and security issues of railroads engaged in interstate commerce, with provision for notice and hearing for state authorities; Federal regulation of interstate rates affecting interstate commerce; a statutory rule providing that rates in each traffic section shall yield an adequate return on a fair value of the property as determined by public authority; payment into a fund of a share of the excess earned by any railroad system under application of the statutory rule over an equitable minimum return upon fair value of the property, this fund to be used as Congress directs for strengthening general railroad credit and increasing general railroad efficiency; a Federal transportation board to promote development of a national system of rail, water and highway transportation and articulation of all transportation facilities.

Association Finances

The phenomenal growth of the American Bankers Association from 1907, when the membership was 9,000 banks, to 1919, with a membership of 20,000 banks, the increase in sections from two to seven during the same period, the establishment of many new departments—the most important being the legal department and the protective department—the monthly JOURNAL, the Library and active standing and special committees and commissions, all have required a growing expenditure of Association funds. These have been realized by the present system of dues and income from interest on funds and securities, excepting special expenditures brought about by activities on account of the war and Liberty Loan campaigns. The latter disbursements have been provided for through the sale of Association securities. The reports of officers made at the Spring Meeting at White Sulphur Springs indicated that this year's expenditures would not exceed the annual income.

To meet increasing demands and for the purpose of extending the Association's usefulness along many lines of endeavor, necessitated largely by a condition brought about by the World War, and the problems that confront the banker as well as the business man, an increased revenue was imperative. With a full realization of future conditions, Vice-President R. S. Hawes, chairman of the Finance Committee of the Association, and the Committee at the spring meeting, gave many hours of hard work and faithful study to the various phases of the problem, analysing carefully the expenditures embodied in the reports as presented and giving full consideration to future demands. Every member of the Finance Committee was present at the various sessions, with the result that an unanimous decision was reached to order prepared an amendment to the Association's By-Laws providing for an increase of members' dues to an amount not great but which, with the large membership, would give a sufficient increase of income to provide amply for a judicious increase in expenditures the coming fiscal year and to enable the Administrative Committee to carry out plans for increased activity.

The recommendations of the Finance Committee were unanimously approved by the Administrative Committee and the Executive Council.

The necessary amendments for increasing the schedule of dues are now being prepared by the General Counsel and will be submitted to the General Convention at the St. Louis meeting in September next. There will be no increase in dues of the large volume of banks that now pay \$10 a year.

A comprehensive and detailed abstract of expenditures for the past year, as submitted to the Finance Committee and Executive Council at the spring meeting, is available to such members as desire it if they will communicate with the General Secretary at New York.

International Money

The Division of Foreign Exchange of the Federal Reserve Board announced, under date of July 1, that President Wilson had issued, under date of June 26, a proclamation which abrogates, with certain exceptions, the provisions of the Executive Order of January 26, 1918, regarding foreign exchange and other related transactions. Applications and licenses will no longer be required for the exportation of coin, bullion and currency, except as stated in the announcement. Remittances to enemy territory are not authorized except under licenses of the War Trade Board.

The text of the announcement made by the Division of Foreign Exchange of the Federal Reserve Board is as follows:

"By proclamation under date of June 26, the President has abrogated the Executive Order of January 26, 1918, dealing with the control of foreign exchange and the exportation and importation of coin, bullion, currency, etc., except that the Federal Reserve Board remains authorized to control dealings with that part of Russia now under the so-called Bolshevik Government, and remittances to countries to which remittances have heretofore been permitted only through the American Relief Administration.

"The Federal Reserve Board has just announced that remittances to these latter countries are not now subject to any restrictions. Dealings with that part of Russia now under the control of the so-called Bolshevik Government, however, are still prohibited.

"Attention is called to the fact that, except in so far as they are permitted by a general or a specific license from the War Trade Board, remittances to enemy countries are still prohibited."

A Pleasant Affair

On July 4th Colonel and Mrs. Fred. E. Farnsworth entertained the officials and office force of the Association's offices of 5 Nassau Street, at their home, Glen Laurel, Huntington, L. I. This gave the office force an opportunity of enjoying each other's society in pleasurable pursuits, and the event was pronounced a decided success.

The Peace Treaty in Relation to International Finance and Trade

By WILLIAM F. COLLINS

Secretary Committee on Commerce and Marine

THAT the hoped-for attainment of peace will signalize the opening of a new epoch in international finance and trade long has been recognized both in America and abroad. The months following the signing of the armistice, with the succeeding negotiations at Paris, have given extended opportunity to the business men and financiers of this country for surveying the situation with regard to developments, past, present and prospective, and for the making of necessary plans. These plans involve national prosperity, and also, as linked to that prosperity and, in fact, essential to it, world reconstruction, especially as relating to the welfare of countries which have been associated with the United States in the war. The very important part that American banking seemingly is destined to play in all this has been strikingly in evidence, and the attention given in banking circles to the many and complex problems related to the return of peace is proof of the constructive effort called for under the circumstance.

It is, of course, impossible to predict how quickly financial and industrial conditions will adapt themselves to the new order of things marked by the Germans' final acceptance of crushing defeat, but the optimistic view is held, so far, at least, as this country is concerned, that the groundwork has been laid for a transition along the lines of very definite progress. As has been pointed out many times from authoritative sources, a primary element in reconstruction is the setting of Europe to work—a procedure requiring helpful co-operation in the channels of industry and finance. How this may best be accomplished has been the subject of widespread study, not only on the part of the government officials most directly concerned and on the part of the Federal Reserve Board and its advisory council of bankers, but also by committees of bankers, including the special Commerce and Marine Committee of the American Bankers Association.

A very significant development of recent date is the recommendation of the Federal Reserve Board that Congress enact legislation providing that national banks throughout the country be empowered, by means of an amendment to the Federal Reserve Act, to subscribe, within the next year and a half, up to a certain fixed per cent. of their total capital and surplus, to corporations principally engaged in such phases of international or foreign financial operations as may be necessary to facilitate the export of goods from the United States. It is announced that the Federal Reserve Board and the Executive Committee of the Reserve Board Advisory Council are in entire accord in considering that the matter of providing long-term advances for Europe presents an investment rather than a banking problem, and that the necessary funds must come, therefore, from the investment market.

This position sustains the attitude of the Executive Council of the American Bankers Association, registered in the action of the Council at White Sulphur Springs, W. Va., May 21, 1919, in adopting a report of the Association's Committee on Commerce and Marine, in which report there was emphasized the necessity of American investment in high-grade foreign securities, or debentures issued against them, all properly guaranteed.

Another important development in connection with foreign trade and international banking is the order, made public June 25, issued by Fred I. Kent, Director of the Division of Foreign Exchange of the Federal Reserve Board, that, until further instructed, "dealers" in foreign exchange are authorized to carry on transactions in foreign exchange or in securities for or through foreign account without restriction save as provided in certain instances. The order continues:

"Until otherwise instructed, the exportation or importation of Russian roubles, or the transfer of funds for their purchase by persons and 'dealers' in the United States, as described under the Executive Order of the President of January 26, 1918, is prohibited. Dealings in foreign exchange or securities with or for persons in that part of Russia now under the control of the so-called Bolshevik Government are also prohibited."

On June 30 Mr. Kent, as Director of the Division of Foreign Exchange of the Federal Reserve Board, issued a statement, saying:

"In agreement with the American Relief Administration, and, until otherwise instructed, 'dealers,' as defined under the Executive Order of the President of January 26, 1918, are not required to purchase exchange upon the following countries from the American Relief Administration:

"Finland, Poland, Czecho-Slovakia, German-Austria, Jugo-Slavia, Serbia, Rumania, Germany.

"In this connection attention is called to the fact that the authority to make remittances to Germany through the American Relief Administration was granted under a special license issued by the War Trade Board, which only covered remittances which were made through the American Relief Administration, and until the War Trade Board issues a further general license permitting transfers of funds to be made to Germany, the withdrawal of the American Relief Administration as a medium through which exchange on Germany can be purchased, restores the prohibition against making remittances to Germany, either directly or indirectly, as it has existed under the Trading-with-the-Enemy Act before the War Trade Board issued the general license which authorized remittances to be made through the American Relief Administration.

"The same prohibition exists in connection with

Hungary and that part of Russia now under the control of the so-called Bolshevik Government."

The working out, following the signing of the peace treaty, of details of financial world readjustment will be a process demanding the clearest thinking, resulting in action combining the exercise of reasonable conservatism and far-seeing vision. It may be that great industries in this country, operating in harmony and, perhaps, under some resultful system of co-ordinated direction, will apply themselves to furnishing Europe and other parts of the world with needed materials in the line of food and other supplies. But for any such plan the safest and most responsive financial co-operation is essential; indeed, that co-operation may be regarded as the keystone to the reconstruction arch.

While the opinion is increasingly held that the freest possible field for individual initiative should be given American finance in these matters of national upbuilding and world reconstruction, it is also apparent that wisely-planned governmental co-operation will be necessary, and the important function of the Federal Reserve Board in this is patent.

Under the broad terms of the peace treaty as understood, Germany, shorn of her colonies, and with her merchant marine, as well as her military and naval power, distinctly limited, is likewise reduced in European area. She has to give territory to France and Belgium, as Austria has to Italy; she may, and probably will, lose part of Schleswig to Denmark, as a late return for a spoilation of decades ago, and the creation of new states serves further to restrict the boundaries of the hitherto Central Empires. But it evidently has been the belief of the allied and associated representatives at Paris that Germany will be left in a position to meet, as provided, required indemnity and reparation payments. From the economic viewpoint, that handling of this matter of payments undoubtedly will constitute one of the most intricate of future problems, but the hope is expressed that carefulness in arrangements on the part of those entrusted with seeing that Germany pays her just debts, and also seeing that Germany, along with fulfilling her obligations, behaves herself, will work out satisfactorily.

Important features of the peace treaty, with especial reference to international trade, and so to finance, include, according to initial understanding of the treaty, the provisions that free zones existing in German ports on August 1, 1914, must be maintained with due facilities and without discrimination; that Germany undertakes to give the trade of the allied and associated powers adequate safeguards against unfair competition; that for a period of six months Germany shall impose no tariff duties higher than the lowest in force in 1914; that with regard to certain agricultural products—wines, vegetable oils, artificial silk and washed and scoured wool—this restriction shall obtain for two and one-half years more, and that goods, the produce or manufacture of any one of the allied or associated states imported into German territory, no matter from what place arriving, shall not be subjected to other or higher duties or charges (including internal

charges) than those to which the like goods, the produce or manufacture of any other such state, or any other foreign country are subject.

It is provided in effect, as understood, that the allied and associated states may liquidate Germany's private property within their territories as compensation for property of their nationals not restored or paid for by Germany. Under the heading of waterways the Rhine comes under the control of an international commission on which Germany is represented, certain allied and associated nations being permitted to construct canals, in accordance with their desires and international requirements. The Elbe River from the junction of the Vitava, the Vitava from Prague, the Oder from its confluence with the Oppa, the Niemen from Grodno and the Danube from Ulm are declared international waterways, together with their connections. As to railways, Germany must give the "most favored nation" treatment to the allied and associated powers, ensuring communication by rail between the allied, associated and other states, and she must conform her rolling stock to its incorporation in trains of the allied or associated powers.

With respect to the resumption of trade relations with Germany, it was at first deduced that this, according to the understood terms of article 440 of the treaty, the final article, was dependent on ratification of the treaty as between Germany and any three of the principal allied and associated states, as it was evident, according to the understood terms, that, on such ratification, the treaty would come automatically into force as between the high contracting parties so ratifying it. It was said at Paris, June 18, that the Supreme Economic Council at a meeting held that day, decided that the resumption of private trade relations with Germany during the blockade was a question for the competent authorities of each country to decide, but that each country must inform the others of any action taken.

The State Department, on June 29, received a dispatch from Paris, given out at Washington, as follows:

"At a meeting Thursday, June 26, the Council of the principal Allied and Associated Powers adopted the following resolution in regard to the raising of the blockade on Germany:

"The Superior Blockade Council is instructed to base its arrangements for rescinding restrictions upon trade with Germany on the assumption that the Allied and Associated Powers will not wait to raise the blockade until the completion of the ratification as provided for at the end of the treaty of peace with Germany, but that it is to be raised immediately on the receipt of information that the treaty of peace has been ratified by Germany."

According to the terms of the treaty, Germany is put on probation for membership in the League of Nations, a trial process the result of which will largely be determined by Germany's reaction to the industrial and financial conditions that will come into being with the attainment of peace.

Bankers' Views of Business Conditions

BANKERS representing some of the states of the Northwest and Pacific Coast sections have been asked during the past month to write their views of the general business situation in their respective districts, in order to present a guide to what is taking place in the process of readjustment from war to peace conditions. These interviews were requested by Leroy A. Mershon, secretary of the Trust Company Section of the American Bankers Association, who has been attending the conventions of the several state associations in the section of the country referred to.

It is apparent from a careful reading of the opinions expressed that business in the territories described is on the upgrade and that in many lines an unprecedented turnover is expected. The only drawback seems to be the shortage of labor. Crop prospects are good, the lumber industry promises, and the banks report themselves in excellent position to meet demands upon them. These interviews, which have been prepared especially for the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, should therefore be of considerable interest.

Oregon

By E. G. CRAWFORD

President Oregon Bankers Association and First Vice-President United States National Bank, Portland

General business conditions throughout Oregon are good. In the preparation of what we term our "Business Digest" of conditions for the United States National Bank, I recently had occasion to write all of the prominent bankers in Oregon, and with very few exceptions I find crop conditions uniformly good. Some of the questions I asked were, "Is there any building going on?" "Is there any movement in real estate?" In nearly every town of any size in Oregon I find more or less building going on, with real estate reported to be more active than it has been for several years past. Some of the smaller places report very little building, but practically all report some movement in farm properties.

In the grain-growing sections there is a considerable demand for loans, but as a whole there seems to be no more than a normal demand for funds at this time; in fact, many towns that used to rediscount or borrow at this time of year are buying commercial paper. Rates in the interior and smaller districts are around 8 per cent.; a few districts still maintain 10 per cent.; but as a whole, rates have probably been lowered in the past few years.

The banking resources have very materially increased. Total deposits of the banks of Oregon in round figures are nearly \$300,000,000. On October 31, 1914, the total deposits were a little less than \$165,000,000. On November 1, 1918, the total deposits of Oregon, Washington and Idaho were \$720,000,000, and on November 1, 1914, they were \$386,000,000. The Liberty Loans of the three states, excluding the Victory Loan, were as follows: Oregon, \$103,918,000; Washington, \$176,570,000; Idaho, \$44,474,000.

The lumber business was in a bad way from the signing of the armistice up to within the past sixty days. At the present time, however, prices have advanced and orders increased so that our lumber business is in pretty fair condition. One of our prominent lumbermen, who is noted, as a rule, for his conservative statements, wrote me a short time ago that "while temporarily there may be more or less of the unknown and confusion about business affairs until the war turmoil is settled, yet, in my judgment, it will only be a short time until the lumber business will participate, with all other kinds of business, in the most active epoch in the history of the lumber business for the past fifty years. In other words, I believe the activities of the world in the next ten or fifteen years are going to surpass, in a business way and in a development way, any similar period within the memory of man."

A considerable lumber market has developed from the Orient within the past ninety days. Large orders for ties have been coming from the United Kingdom. One of our large exporters has sent, within the past sixty days, several cargoes of lumber to China. Two of our largest wholesale lumber dealers have just returned from a trip to the Orient and report the outlook for the sale of lumber in the Far East as exceedingly bright, with the acquiring of sufficient tonnage to handle it as the only obstacle for a large business from this time on. There have recently been loaded in Portland a good many cargoes for China. These cargoes have gone to Shanghai and from there have been distributed to various parts of China, one cargo going as far up the Yangtze River as Hankow, a distance of 700 miles. The return cargo is the principal anxiety to the shipper, and the vast quantities of iron ore available in China are being looked into, with the idea of reducing them to the form of pig iron for the necessary return cargo.

Undoubtedly this section, which has the largest body of standing timber in the world, is coming into its own, and by use of the Panama Canal, we can now export to every part of the world our lumber products. We have learned how to build ships, and no doubt many more will be built, both of steel and wood, to transport lumber in all its forms to every part of the globe.

Washington

By ORRIN M. GREEN

President Washington Bankers Association and Vice-President Exchange National Bank, Spokane

General business conditions are much better than last year and the merchants claim a 25 per cent. increase in all lines. There is a heavy demand for money, owing to light crops during the preceding two years. Rates are about the same as last year with a tendency to soften.

Bank resources throughout the state have increased remarkably during the last twelve months. This has been more noticeable in the western section of the state because of greater war activities, although in the eastern section the increase has been satisfactory on the whole.

Fruit crops last year were much above the average in yield with the highest prices in history. Throughout the entire wheat section during the past two years, the yield was below normal, resulting in the carrying over of the farmers and requiring the banks to use to a greater extent the Federal reserve bank of the district. The prospect for a grain crop as a whole is satisfactory, although in some sections rain is needed.

The live stock market has been exceptionally active with the price usually satisfactory to the seller. The inauguration of stock yards and packing houses throughout the state by the large operators and the increasing volume of capital being handled indicates that Washington will be one of the leading live stock states of the northwest.

Following the long period of depression, the lumber outlook is exceptionally bright, with an active demand for all grades of lumber with prices well maintained. Large building projects are being planned which, together with the normal resumption of building retarded during the war period, has created an ever-increasing market for lumber which is assisted by the stabilizing of real estate values brought about by the present era of prosperity and the demand for permanent homes, resulting in greatly increased sales of real estate.

In common with other parts of the country, Washington is experiencing a shortage of labor. The situation as a whole is very favorable, and barring any unforeseen events which would adversely affect the output along any or all lines, the state should enjoy the greatest prosperity in its history with banking resources at their highest.

Idaho

By MONTIE B. GWINN

President Idaho Bankers Association and Director First National Bank, Boise

Business in all lines in this state, generally speaking, is very good. The demand for money, while active, is less than a year ago, with the rates of interest the same. The banks are in a very healthy and prosperous condition and resources show a very marked increase over that of any previous period.

Prospects for crops in the irrigated sections are very good, while those in the dry farming districts, at least in the southern part of the state, are not favorable for good crops at this time.

The demand for labor practically in all lines, skilled and unskilled, is greater than the supply. This is especially true in farm labor.

Real estate transfers are numerous at increased prices. There is great activity in building lines with prospects of a continuation and an increase. Anticipated prices for farm products are equal to those we see a year ago, and with the bumper crops anticipated, should insure great prosperity for the year.

California

By W. D. LONGYEAR

President California Bankers Association and Vice-President Security Trust & Savings Bank, Los Angeles

General business conditions in California are good.

In the southern part of the state, of which Los Angeles is the financial center, the seaport, and to an

increasing extent the manufacturing center, conditions are good and steadily improving. The bank call of May 12 showed that from March 4 the deposits of all Los Angeles banks had reached a total of \$301,791,392—an increase in sixty-nine days of \$18,261,059—and this under the pressure of financing Victory loans and liquidation of previous government loans. The available cash May 12 in all Los Angeles banks was \$71,971,350.

The orange and lemon growers of this part of the state are realizing from the current citrus crop in the neighborhood of \$60,000,000 net for their fruit after freight east is paid. Other farming interests are sharing in the general prosperity due to high prices. This is true all over the state.

Jessie B. McCargar, the new vice-president of the C. B. A., wires me from San Francisco: "Barley is being harvested, an exceedingly good crop, but much smaller acreage than last year. Both winter and spring wheat are in excellent condition with highest acreage in years. Apricots, peaches and grapes promise heaviest yield in years, with prices highest in history. The rice crop was in early, owing to wonderful weather conditions, which should insure early maturing. There is an increase of 25,000 acres in rice over last year.

The lumber trade is active; shipments east are heavy, coastwise business excellent with good facilities for transportation. Wholesale trade continues excellent with retail trade in all lines, including non-essentials, such as jewelry, better than holiday season. Collections are good. Regarding labor conditions, there is some unemployment in the cities, but this can be corrected if the laborers will leave the cities for the agricultural sections, where there is a shortage of labor.

The great increase in population which came to California in the decade ended in 1914, when the war put a stop to movements of people, has been very thoroughly assimilated. The agricultural settlers are prosperous. They have reduced their initial debts so that they are now comfortably financed. For most California products in the past few years the markets have widened, while through co-operative plans the marketing facilities have been improved. Indications are good for a new period of active development and settlement in the agricultural regions of the state. California still has millions of acres of land subject to irrigation development.

The tourist business, all along the coast, is very important to this section, both because of the direct revenues from the tourists and because of the large proportion of those who come as tourists who remain as residents, settlers and investors. Tourist travel has been the heaviest this season for eight years. A number of large new hotels have been financed and others are projected to take care of this increasing business. It is expected that a considerable part of the travel which has gone to Europe will be coming this way. In Los Angeles building is active and becoming brisk, mostly in places of residence, homes and apartment houses. The city is closely rented up, apartments are hard to find, rentals have increased, and prospective new buildings show profits even at the higher prices of labor and material.

The Losing Side of Freak Check Forms

By W. A. BLUE

PITY the poor bookkeeper who has to juggle fifty-seven different sizes, shapes, thicknesses, forms and arrangements of checks and vouchers every time a fresh young mountain of exchanges is dumped upon his always overflowing work table.

How much of the ever-rising cost of clerical work in a modern bank is due to this antediluvian custom of allowing each depositor to adopt his own freak size or form of check?

Ask the sorters in the exchange room. Ask the boys and girls in the transit department. Ask the clerks on the adding machines. Ask the tellers who have to verify and scramble all over a nightmare collection of odd voucher forms hunting for the dates and amounts, which are just as apt to be buried down in the lower southeast corner as to appear on the upper right where they belong.

They will all tell you it's like trying to straighten out the several straws in a haystack to attempt to sort or stack the average run of checks with anything approaching reasonable speed or accuracy.

Take the oddities in sizes alone: Long sizes, some with perforated overhangs on the ends to stick, or to catch the indorsement stamps when the ends are folded over. Lean sizes that always hide coyly at the bottom of a stack of checks and thus get overlooked. Short, fat "outsizes" that split when the rubber band is snapped around the bundle. Tiny sizes that slip into the recesses of the big folded vouchers and throw the balance out. Voucher forms all the way up to the size of a page in the ledger. Freak "scientific" forms with "panels" and "dew-dads" scattered all over the front and back (devised by some "Efficiency Fish") with seventeen different places to look for the amount———!

The above are only a few of the things that make bank clerks bald and bent before their time.

How about dividends? How much money does a bank spend for help and additional equipment that could be applied to dividends and increased salaries if the use of freak check forms was discouraged?

What fraction of a bank's payroll is properly chargeable to sheer waste of time and labor, involved in extra help to make up for the time and accuracy sacrificed in handling over and over all those odd-sized checks? How about the night work spent in hunting for mistakes and missing balances directly due to "mis-sorts" or wrong listing of individual amounts that could never happen if there was *just one place* to look for the amount, date, number, etc., on every check?

The other day I watched a printer deftly counting the thousands of large sheets of paper in a pile that was going to the devouring cylinder press to be chewed up into bank checks. I said to him, "You seem to be pretty skillful in fingering those sheets and letting just five slip through your fingers at each movement." He said, "Yes," it was because these particular checks were all from the same kind of paper, the sheets all the

same size, with square edges, and all the same "slip" and thickness.

I asked him how many he could count in an hour accurately. He told me he could count twenty reams of 500 sheets each per hour—10,000 individual sheets—and guarantee the count. He added that, under pressure, he had counted as high as 12,000 sheets per hour.

Then I asked him what would happen if the sheets were of different sizes and shapes and thicknesses, like the run of bank checks. He threw up his hands. In that case, he said, he'd lose his job, as the printing press would grind out the completed sheets faster than he could count and get them ready. He said he supposed a man could count a million sheets of uniform size and thickness in the time it would take to handle a few thousands that were irregular in any respect.

And so even the printer, who is not invariably a marvel of system or efficiency, wouldn't be bothered with a nuisance that the banks accept and suffer in silence.

I watched a teller counting bank notes and throwing them in piles of ones, twos, fives, tens, etc. He was very expert. I asked him if it would make any difference if the notes were of odd sizes and thicknesses and if the figures indicating the denominations were placed at different positions on the notes. He looked at me pityingly. "Why," quoth he, "handling currency is like dealing cards. They must be all of the same size and have the same 'slip,' and the denominations must always appear in the corners. Otherwise," he added, "it would take a half-dozen people to do what I'm doing here."

Then I went into the exchange room of a big New York bank and watched the nimble-fingered clerks at the adding machines. I noticed that they "riffled" the checks like playing cards, lifting them so that they could read the amount in figures at the extreme right-hand end. When they came to the all-too-frequent ones that had the figures at the lower left-hand edge, or perhaps up in the northwest territory, a painful delay in the clanking of the machine ensued while they hunted for the playfully elusive figures.

I noticed how difficult it was to stack these miscellaneous checks neatly on the shelf of the machine, due to the odd sizes and shapes and folds, which made the pile "springy" and inclined to flutter away like chaff with every breath.

The head of the department pointed out a young chap at a hand-operated machine in the corner. "That lad over there," he said, "made the championship in the check-listing contest at our last chapter meeting. He's so fast on the machine that he won't use an electric drive—claims it slows him up."

So I went to the "champ." and I said, "They tell me you are pretty speedy on the machine. What is your record for listing and adding 500 checks?" he told me six minutes, nineteen seconds, which is close to the professional record.

Then I asked him, "About how many are you doing now?" And he said, "Oh, about 25 minutes for 500 is the best I can do with this stuff," and he surveyed the jumble of "scraps of paper" before him.

"What!" said I. "Do you mean to say that you can list up 500 amounts correctly in six minutes, nineteen seconds, in a contest and only 125 in the same time here in the bank? Why is this so?"

For answer, he went over to his locker and brought out a bunch of the "dummy" contest checks furnished for use in the chapter contests. "Now watch," he said. His fingers fairly flew as he riffled these checks, merely glancing at the fingers on the right-hand end of each, and his hands went up and down the keyboard so fast they were a mere blur. In almost no time at all

he had punched the total key, given the handle a final double yank, and handed me the slip.

"The answer," he said earnestly, "is that these dummy checks are all the same size, all the same kind of paper, and the figures are just where they ought to be on every check. *It takes me exactly four hours to do the work I could do in one hour* if the people who make checks would have a heart and think of a check as money, instead of a fancy valentine!"

So there you are again! Three hours in every four wasted. Four clerks to perform the operations in the sorting room, and exchange room, and transit room, and in the work of verifying—that ought to be performed by one. No wonder the "overhead" goes up!

Banker and Farmer Team Work

By W. E. DODGE

BANKER influence in the community has been multiplied several times as a direct result of the active part taken by the banks in assisting the government of the United States to finance the four great Liberty Loans.

As a group bankers have, of course, come into close contact with the business man and assisted him materially with funds and sound advice as the plans for future growth and achievement were spread on the trestle board before him.

Due to the floating of the several government loans, the banker, and especially the country banker, has had his sphere of influence materially widened to include the farmer whose acquaintance with the banker was, in many cases, limited to the cashing of the by-weekly cream check.

The later Liberty Loans were largely participated in by farmers and farm owners, the available statistics disclosing that agricultural districts were disposed to "go over the top" a little stronger than the cities. While well-directed government propaganda had its deserved place and yielded excellent results, yet when it came to clinching a half-formed determination in the farmer's mind, the banker was the man who turned the trick.

Now that the war has been brought to a happy conclusion and the hundreds of thousands of farmer boys will soon return to the soil, it is not fair to assume that farming operations in this country, or the world over for that matter, will drop back into conditions which prevailed before the war. In the first place, the returned soldier entertains more than a lurking suspicion in the back of his head that motor trucks of all kinds, tanks and tractors, welded a mighty influence in turning back the Hun hordes. In fact, he is "sold" on gas power and in the countless new farm endeavors that are now being daily launched as the result of the returned citizen soldiers, the modern farm tractor will find a welcome that is born of experience. It is to the

banker that they will come for assistance in financing the motive power of the new farm, and they are not going to be disappointed.

It is not to be denied that the banker of ten and even five years ago was generally disposed to be against the farm tractor. That was in the days when all the tractors were big fellows and the investment necessary to own one was much larger than it is today. The standard tractor of the present is a great deal more effective, having been designed and built for the medium-sized farm and costs but from one-third to one-half as much. It is these outstanding facts of cost and effectiveness that have reached the banker's mind and caused him, in thousands of cases, to respond when approached for assistance by the farmer who wished to buy a tractor.

The banker is being "sold" today on the tractor for he realizes that it increases the opportuneness of farming. By this term is meant the ability to crowd a large measure of accomplishment into the season available for the preparation of the seed bed, both for corn and small grains. This is an important factor and often spells the difference between profitable and unprofitable farm operation.

The difference between being able to plant ten acres more of corn, due to proper facilities and taking advantage of favorable weather, and being obliged to turn to some catch crop, may amount to a tidy sum, enough to go far toward paying for a small tractor.

A new era confronts the farmer; an era of relatively high prices for his product and an era in which he will not be content with the old methods of farming, the chief virtue of which was to put heavy callouses on his hands.

The automobile, the telephone, the home lighting and water systems and the rural mail route logically call for the farm tractor to complete farm-home happiness and eliminate drudgery. The country banker is going to assist in bringing about this change.

Absorption of Foreign Obligations by Savings Banks

By MILTON HARRISON
Secretary Savings Bank Section

THERE are two causes which would lead to caution on the part of savings bank or trustee investors of a risk involved in investment in so-called foreign obligations: First, a lack of understanding of the security, and thus a presumed uncertainty of payment of the debt at maturity; and, second, inadequate marketability and the precedence of American government and municipal securities over foreign government and municipal obligations.

The high-grade trustee investor is rather inclined to follow closely the investment restrictions imposed on mutual savings banks. There is justification in following such an example as the mutual savings banks, particularly those of the state of New York which have maintained the highest level of safety and soundness. In New York if a trustee closely observes the savings bank law pertaining to investment of funds, he is relieved of personal liability in the event of any loss.

The history of the mutual savings institution as such has demonstrated the desirability of the highest conservatism in the investment of funds. Thus it is natural for the managers of these institutions to carefully scrutinize any new field of investment.

After some years of close contact with the mutual savings banks, the writer is convinced of the wisdom of this policy. For example, the savings banks of the state of New York were given the right to invest in railroad bonds by the legislature of 1898. The savings banks of New York State, through their association, however, discussed the advisability of opening the field of investment to railroad bonds several years before this time, regardless of other mutual savings bank states having passed acts permitting investment in railroad bonds as early as 1876. Within a few months after the New York banks were permitted to invest in railroad bonds, 47 out of 130 banks in the state had invested \$8,851,000 in such bonds. However, it was not until 1903 that there was any substantial increase in the investment in this character of obligations. Railroad bonds became an exceptionally attractive investment to the savings bank of the state, although selling at a basis as low as 3 per cent. The report of the Superintendent of Banks of the State of New York for January 1, 1903, indicates investment of \$151,919,779 in railroad bonds by 116 banks out of 127, or 12.8 per cent. of resources.

While the investment in railroad bonds of the savings banks of the State of New York since 1903 has more than doubled in amount, yet the proportion of increase to total resources has advanced only about 4 per cent. This simply may indicate a trend of the process of investment by mutual savings banks in a security new to it.

Much has been written of late as to the necessity for the absorption of a large quantity of foreign obligations by American investors. In order to lend stabil-

ity to the international financial situation the pressure of this necessity may tend to hasten the day when the funds of the savings bank and trustee investors will be invested to a substantial amount in foreign obligations. The example given above of investment in railroad securities may not altogether indicate the probable tendency respecting investment in foreign obligations; however, savings bank may curtail to a considerable degree their future investment in railway issues. Thus, they may be attracted to foreign government and municipal bonds sooner than they would ordinarily.

An amendment to the law of New York State permitting such investment has not as yet been proposed to the legislature, nor has it been seriously discussed by the Savings Banks Association of the State of New York, which is the authoritative representative body for savings banks of that state. However, during the last session of the legislature of Connecticut a bill was passed permitting savings banks to "invest not exceeding 10 per centum of their deposits and surplus in the obligations of the government of the Kingdom of Great Britain and Ireland, and the government of the French people, and the government of the Dominion of Canada, or any of its provinces, provided such obligations have a fixed and definite maturity and shall be the direct obligations of such government or province, and that the full faith and credit of such government or province shall be pledged for its payment, principal and interest."

It is by no means certain that the other mutual savings bank states will follow the wording of this law which would permit investment in the bonds of British Columbia, for example, which may not be exactly up to the standard of what a savings bank security should be. The restrictions which will be imposed on foreign obligations by such states as New York and Massachusetts will doubtless be more closely defined, possibly to include such bonds as those which were issued by the American Foreign Securities Company in 1916 which was an issue of \$94,500,000 dated August 1, 1919, for three years at 5 per cent., secured by bonds of foreign governments owned by the French Government under its pledge to the American Foreign Securities Company. It is reasonable to assume that foreign securities companies will be formed with this very purpose in mind. This will bring the obligor closer to the investor.

At the recent conference of the Council on Foreign Relations "On the Investment of American Capital Abroad" the problem of bringing the obligor closer to the American investor was discussed. The thought was advanced that certain foreign government and municipal obligations could possibly be guaranteed by the United States Government or a group of responsible American bankers. Foreign obligations in which savings bank investors would be permitted to invest

will be restricted to government or highest grade municipal issues, and of necessity there will be many of such issues. Possibly foreign industries may become financed by American capital furnished by savings bank and trustee investors through the obligations of their governments. This is conceivable. There will be sufficient capital available for lending to foreign countries, even though the needs of our own country may be very great, such as the \$1,000,000,000 borrowing program of the states, together with the demands of municipalities, railroads and public utilities, as well as temporary financing of the Federal Government in anticipation of taxes. As a consequence, it is difficult to estimate the amount of capital which may be available for the purposes of foreign investment.

The resources of the 625 mutual savings banks in the United States are close to \$5,000,000,000. The gross income alone on this sum is about \$250,000,000 per annum. Due to the intensive encouragement of thrift, these banks are increasing deposits to an unusual amount. Thus, if the managers of these institutions can be interested in the absorption of foreign obligations and the necessary enabling acts are passed by the state legislatures, there is every reason to believe that the savings banks can be depended upon to absorb a relatively large amount of foreign obligations, provided they are assured of the absolute safety and soundness of the security offered.

There is no institution in the country which is better equipped to handle the public's savings with assurance of safety than the mutual savings banks. It

is because of such reputation that trustees generally follow the restrictions placed upon the investment of savings funds.

The savings banks realize their responsibility in aiding to maintain international finance. At the recent meeting of the Executive Committee of the Savings Bank Section of the American Bankers Association at White Sulphur Springs, W. Va., a resolution was adopted favoring "investment by savings banks in high-grade foreign securities in order to further the stability of international finance and directing the committee on investments to study the character of foreign securities which should be eligible for investment by savings banks; and further, that restrictions be developed safeguarding the funds invested in foreign obligations and placed in the form of a bill eventually to be submitted to state legislatures for their action. For like reason we furthermore urge upon the people of this country the vital necessity of their individually purchasing substantial amounts of such foreign securities as may be determined to be safe investments for savings institutions."

The solution of the problem of providing adequate capital for home and abroad seems to be the burden placed upon America and presents a huge task, which depends foremost upon the ability of the individual to save and conserve. The American capitalist is the American public. If thrift is practiced and waste eliminated the institutions which gather the savings of the people will be in a position to do their part to provide the sinews of peace.

Good Wishes for Mr. Harrison

The following paragraph written by George E. Allen and published in the *Bulletin of the American Institute of Banking*, expresses the sentiments of his associates in the general offices of the American Bankers Association, and bankers and others throughout the country who are acquainted with Mr. Harrison and his work: "Milton W. Harrison, Institute graduate, Assistant Educational Director of the Institute and Secretary of the Savings Bank Section of the American Bankers Association, has accepted the position of executive manager of the Savings Banks Association of the State of New York, effective September 1. Mr. Harrison has made a special study of investments and taxation and is recognized as an authority in such subjects. Mr. Harrison was the first to suggest the War Savings Stamp plan to the Treasury Department and spent several months in Washington

in connection with the original plan of operation. His work in promoting the sale of War Savings Stamps in several states was exceptionally successful. Mr. Harrison was formerly an instructor in 'Commercial and Banking Law' in New York Chapter of the American Institute of Banking and has always stood for the highest Institute ideals. In connection with the Savings Bank Section of the American Bankers Association, he has been a successful champion of the amortization of mortgages, the Americanization of foreign residents of the United States, and systematic thrift throughout the nation. His experience and qualifications fit him for his new position, and the members of the Institute unanimously wish him long life and abundant prosperity. This sentiment is cordially reciprocated by Mr. Harrison, and there is no danger that he will ever lose interest in the Institute and its work."

Committees Appointed for A. B. A. Convention

Committees to handle the arrangements for the forty-fifth annual convention of the American Bankers Association, to be held in St. Louis, September 29 to October 2, inclusive, have been named by the St. Louis Clearing House Association. They are as follows:

GENERAL ARRANGEMENTS COMMITTEE

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| J. C. Van Riper, Vice-Chairman, President American Trust Company. | John G. Lonsdale, National Bank of Com- merce. |
| Edward Buder, Mercantile Trust Co. | E. B. Pryor, State National Bank. |
| J. S. Calfee, First National Bank. | W. T. Ravenscroft, First National Bank. |
| R. S. Hawes, First National Bank. | Geo. T. Riddle, Franklin Bank. |
| Geo. E. Hoffman, Merchants-Laclede National Bank. | A. C. White, St. Louis Clearing House Association. |
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Mercantile Trust Com-
pany.
J. Sheppard Smith,
Mississippi Valley
Trust Company.

CLUB COMMITTEE

W. H. Lee, Chairman,
President Merchants-Laclede National Bank.
Geo. T. Riddle, Vice-Chairman,
President Franklin Bank.

T. W. Bennett,
Mortgage Trust Com-
pany.
A. C. F. Meyer,
Lafayette-South Side
Bank.
W. B. Cowen,
National Bank of Com-
merce.

B. F. Edwards,
Central National Bank.
Wm. Maffit,
Mercantile Trust Com-
pany.
J. B. Moberly,
Merchants Trust Com-
pany.
W. W. Smith,
First National Bank.

LADIES' COMMITTEE

Mrs. N. A. McMillan, Chairman.

Pan-American Financial Conference

FROM the viewpoint of international banking, if not, indeed, from that of South and Central American commerce generally, the most important development of the Second Pan-American Commercial Conference held under the auspices of the Pan-American Union in the Pan-American Building at Washington, early last month, was the announcement made by Assistant Secretary of the Treasury L. S. Rowe, on behalf of Secretary of the Treasury Carter Glass, that the President, on the Secretary's recommendation, had decided to convene the Second Pan-American Financial Conference at Washington, January 12, 1920. Dr. Rowe has been appointed by Secretary Glass Secretary-General of the Financial Conference.

The first Pan-American Financial Conference was held in May, 1915, having been called by the Secretary of the Treasury to discuss the situation created for all the Americas by the European war. The second conference will convene, according to Dr. Rowe, for a further interchange of views, experiences and counsel with reference to "the many and difficult problems that are confronting both governments and peoples of the American continent at the close of the war."

Dr. Rowe says, in connection with the coming conference: "The delegations from each of the countries will be presided over by the respective ministers of finance, and the Secretary of the Treasury will have the opportunity, at that time, to hold a special conference with the Ministers of Finance of all the republics of the American continent with a view to this interchange of experience, of counsel and of policy. I may add that the period between the first and the second conference, a period now of little over four years, has been fruitful of important results by reason of the fact that the first Conference provided for a definite mechanism and organization through which the resolutions of the Conference were to be put into execution."

The Assistant Secretary of the Treasury's announcement was made June 5 at a session of the Commercial Conference called for the special purpose of discussing financial matters in relation to trade among the Americas. At this session, in addition to Dr. Rowe's address, there were addresses by Frank A. Vanderlip, retiring president of the National City Bank; Charles M. Schwab, president of the Bethlehem Steel Company; Harry H. Merrick of Chicago, president of the Mississippi Valley Association, and others.

Dr. Rowe spoke, among other things, of progress in the registration of trademarks throughout the Americas, of the advance of the principle of commercial arbitration and of the extension of the commercial travelers' treaty, under which vexatious local taxes placed on commercial travelers will be eliminated. Referring to the gold clearance fund treaty, he said it had been brought to a stage ensuring that, before the assembling of the January conference, it would become an accomplished fact, at least between some of the countries of the Americas, thus making unnecessary the constant shipment of gold from one country

to another. He emphasized, as a matter of world importance, that every country of the Americas should develop for itself a far larger amount of domestic capital than has heretofore been the case, adding, significantly, that this means "that every country of the American continent, the United States included, shall impress upon the people, if necessary through educational campaigns, the importance, as a duty to themselves and as a duty to the world," of the development of more capital through thrift and saving.

Mr. Vanderlip confined himself in his remarks largely to describing post-war conditions in Europe and indicating how the countries of the Americas which, with the United States as the great reservoir of capital of the world, are going to be the world's great storehouse of raw materials and food products, may, in his opinion, help in world reconstruction. He dwelt particularly on what he held to be the necessity of lending afflicted nations, not money in the form of credits to go into the treasuries of those countries, but the materials, the machinery, the equipment and the food required to start up industries.

Mr. Schwab paid a tribute to the shrewdness and business integrity of South Americans, adding that it seemed to him as though the trade, the happiness and the prosperity of American nations must come about through the co-operation of all the American nations so that industry and commerce shall not be based on purely national or personal selfishness, but "will result in the best good to all of us by arriving at the best results collectively." Mr. Schwab referred especially to industrial developments in Chili.

Mr. Merrick, who as president of the Chicago Association of Commerce, brought greetings from that organization as well as from the Mississippi Valley Association, referred optimistically to the Pan-American Union as an example of a means of practically settling world problems by neighborliness and friendship. He said that the development of the United States as a part of America lies in the development of friendship, the spirit that one neighbor should have for another.

The Conference, which lasted from June 2 to 6, was attended by many hundred delegates, including prominent men from all the Latin-American republics having representation at Washington. One of the addresses which aroused special interest was that of Chairman Hurley of the United States Shipping Board who made mention of plans for increased shipping facilities between the Americas and the further development of trade and personal relations. There was much exchange of counsel, participated in by South and Central Americans and others, as to practical aspects of commercial development by mutual efforts and to mutual advantage. The general impression was that the Conference registered a distinct step, by and large, not only in the furthering of mutual understanding between the peoples of the Americas, but also in the definite bringing together of those peoples in tangible ways.

American Acceptance Council in Convention

Important contributions to the subject of the technique and uses of bankers' and trade acceptances were made, both in addresses and informal discussion, at the convention of the American Acceptance Council at Detroit on June 9. A well-rounded treatment of the general subject was achieved through devoting separate sessions to bankers' acceptances and trade acceptances, and a final meeting to an open and informal discussion of the latter by their opponents as well as their proponents. The next day a survey of the general subject in broad outlines was presented by Paul M. Warburg, chairman of the Executive Committee of the Council, in an address before the National Association of Credit Men. It was at the invitation of the latter organization, and in anticipation of its annual conference, that the Council held its special convention. Addresses and discussion are being published in pamphlet form by the Council.

Lewis E. Pierson, president of the Council, who presided at the sessions given over to formal addresses, emphasized the fact that it is "toward the fruitful end of sound and flexible business methods that the whole-hearted and united effort of the Council is directed," and that its functions include that of a clearing house for information. The closing session, devoted to open discussion, had special importance as meeting the desire of the Council to receive opinions and queries from those opposed as well as from those in favor of trade acceptances. This attitude was emphasized by the presiding officer, David C. Wills, chairman of the Federal Reserve Bank of Cleveland, and by Mr. Warburg as chairman of the Council's Executive Committee. It is appropriate in this connection to note that Mr. Warburg, in his address to the Credit Men, included a statement relative to trade acceptances which he made at the first meeting of the Executive Committee of the Council, as follows:

"We are preaching the gospel of the trade acceptance for no other purpose than that we believe its use makes for sounder business and banking conditions. We do not say that single name paper is not good or illiquid; but we may fairly say that the trade acceptance is better and more liquid. We do not say that the trade acceptance serves all purposes and that all cash sales and all cash discounts ought to be avoided, but we do say that where business is not done on a strictly cash basis, the trade acceptance will be found the safer, sounder, and, in the long run, more economical method than the open accounts."

John E. Rovensky, vice-president of the National Bank of Commerce in New York, reading a paper on "The Acceptance as the Foundation of the American Discount Market," discussed the functions of a discount market as a regulating medium of the cash and investment position of banks; as an equalizer of interest rates both between different sections of the country and between our own and foreign countries; as a stabilizer of international gold movements and of interest rate levels. The necessity of a standardized instru-

ment of credit to the existence of a discount market finds its answer, Mr. Rovensky said, in the acceptance.

"American Bankers' Acceptances and Foreign Trade" was the subject of an address by Fred I. Kent, vice-president of the Bankers Trust Co. of New York. He explained what service the bankers' acceptance lawfully can render in financing importations and exportations, not only into and out of the United States, but moving between all points of the globe; what steps our banks may take further to promote the use of these new American banking facilities, and the technique of drawing and making these acceptances.

In a paper on "Domestic Acceptance Financing Warehouse Staples," Rudolph S. Hecht, president of the Hibernia Bank & Trust Co., New Orleans, pointed out that domestic bankers' acceptances may be made for two purposes: First, to finance domestic transportation of goods, and second, to carry staples, provided that in the latter case the acceptor is secured by the proper warehouse receipts and the necessary insurance. The speaker presented interesting information concerning the technique of making advances on modern warehouse receipts.

F. Abbott Goodhue, vice-president of the First National Bank of Boston, was to have spoken on "Acceptance Corporations," but was unable to attend. E. W. Wagner, vice-president of the Discount Corporation of New York, volunteered to fill this place on the program and spoke briefly on the development of discount institutions.

Addresses relative to trade acceptances were made by M. T. Fleisher, president of the Notaseme Hosiery Co., Philadelphia, on "The Trade Acceptance in Business Operations"; David C. Wills, chairman of the Federal Reserve Bank of Cleveland, on "Dangers to Be Avoided in Trade Acceptance Practice"; George Woodruff, president of the First National Bank, Joliet, Ill., on "The Banker and Trade Acceptances," and James A. Green, president of the Matthew Addy Co., Cincinnati, on "Trade Acceptance Experiences."

Mr. Fleisher pointed out that the trade acceptance is a check against carelessness and extravagance, enables capital to turn over more frequently and to do the work with less risk, develops careful buying, and promotes a better handling of outstanding obligations, thereby avoiding evils of over-extension.

Mr. Wills, stating that in common with all new movements the trade acceptance in American business will probably be attended by certain defects and errors of practice, specified eight features calling for the exercise of banking and business prudence. He added that a danger also exists when an attempt is made to force the acceptance upon customers without proper explanation and education.

Mr. Woodruff presented and discussed a list of fifteen reasons why the average banker ought to favor trade acceptances.

Mr. Green emphasized the value of the trade acceptance in his own experience, and strongly advocated the more general adoption of the method.

LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

Federal Bills of Lading Act Declared Constitutional

THE members of the American Bankers Association will be gratified to learn that the Supreme Court of the United States on June 2, through Chief Justice White, handed down an opinion sustaining the validity of the Federal Bills of Lading Act and especially the constitutionality of Section 41 which punishes the forgery of bills of lading used in interstate or foreign commerce.

Our members have not forgotten the ten years of effort through five successive Congresses which finally culminated successfully in the passage by Congress on August 29, 1916, of the Bills of Lading Act. Before the passage of that Act the railroad whose agent issued, either fraudulently or as matter of accommodation to a shipper, a bill of lading for which no goods had been received, was exempted from responsibility by the courts to a bank or other purchaser who had advanced value on faith of the recitals in the bill. This liability is now provided by the Act. Again, there was no Federal law under which the forgery of a bill of lading was punishable, and some serious offenders escaped punishment through the leniency or lack of enforcement of state laws. In many other ways the law governing the subject was inadequate and unsuited to modern conditions under which the commerce of the country is moved and marketed through the instrumentality of bills of lading and by means of advances by the banks.

The passage of the Federal Bills of Lading Act was, in consequence, an epoch in the commercial history of the country and for the first time placed the law governing the negotiability of bills of lading covering interstate and foreign shipments, the subject of their issue and transfer, the rights of holders for value and the liabilities of carriers, upon a sound and satisfactory basis.

It came, therefore, as somewhat of a shock to the banking community when a merchant in Cincinnati who had been indicted for the forgery of certain railroad bills of lading purporting to represent goods shipped to another state, upon which he had procured advances from a Cincinnati bank, was declared by the District Court of the United States for the Southern District of Ohio to have committed no crime against the Federal laws. It was successfully contended before that court that Section 41 was unconstitutional in so far as it attempts to punish any person who forges a bill of lading where no interstate shipment is made, and that the Act can only apply to bills of lading representing actual shipments. As there were no goods in existence covered by the purported bills of lading, there was no commerce as a subject of regulation by

Congress and all the offender was guilty of was the forging of a waste piece of paper which it was beyond the power of Congress to punish under the Commerce Clause of the Constitution.

The American Bankers Association, in co-operation with other organizations, urged an appeal of this case to the Supreme Court of the United States, feeling confident that the decision was erroneous. On June 2, 1919, the Supreme Court handed down an opinion, one justice alone dissenting, upholding the validity of the Federal Bills of Lading Act in its entirety and especially the constitutionality of Section 41. As a result the offender in this case and all other persons who forge bills of lading purporting to be issued in interstate or foreign commerce and victimize the banks or other purchasers with such documents, will have to face the criminal penalty of the Federal law.

Because of the importance of this decision and of the large part played by the American Bankers Association in procuring the enactment of the Federal Bills of Lading Act, we publish the opinion of the Supreme Court in full:

SUPREME COURT OF THE UNITED STATES

No. 776.—October Term, 1918

The United States, Plaintiff in Error,

vs.

August Ferger, Thomas M. Dugan, and
Robert H. Rasch.

[June 2, 1919.]

In Error to the District Court of the United States for the Southern District of Ohio.

Mr. Chief Justice White delivered the opinion of the Court.

The twenty-four counts of the indictment in this case were concerned with the commission of acts defined as criminal and punished by the 41st section of the Act of August 29, 1916, entitled, "An Act relating to bills of lading in interstate and foreign commerce." (39 Stat. 538.)

In the first count it was charged that the accused, in violation of the section, on or about the 14th day of August, 1917, in Cincinnati, Ohio,—

"did * * * feloniously, and with intent to defraud, falsely make, forge and counterfeit, and aid and assist in feloniously making, forging and counterfeiting a certain bill of lading purporting to represent goods received at Fountaintown, in the State of Indiana, for shipment to Cincinnati, in the State of Ohio, and to utter and publish and aid and assist in uttering and publishing such falsely made, forged, and counterfeited bill of lading, then and there knowing the same to be falsely made, forged, and counterfeited * * *"

A copy of the fabricated bill of lading was reproduced in the count. It was negotiable in form, following the standard approved by the Interstate Commerce Commission (Order No. 787, June 27, 1908). The bill acknowledged the receipt by the Cincinnati, Hamilton and Dayton Railway Company of corn in bulk at a designated place in Indiana, shipped to Cincinnati to the order of the shipper, and with directions

to notify a person named. It contained all the earmarks which would have been found in a genuine bill of lading.

The second count charged the knowing, wilful and felonious uttering of the bill of lading and, with criminal intent and knowledge, obtaining money on it from the Second National Bank of Cincinnati by using it as collateral.

These first two counts are types of the remaining twenty-two, except that the latter dealt with eleven other bills of lading as to each of which there were two counts, charging in the exact words used in the first and second counts, on the one hand the felonious fabricating and uttering of a bill of lading, and on the other hand the uttering and obtaining on the same bill of money from the Second National Bank of Cincinnati.

There was a motion to quash all the counts based upon alleged defects in pleading with which we are not concerned, and by demurrer the failure of the indictment to charge an offense was asserted on these grounds:

"First. That said Act of Congress * * * approved August 29, 1916, is unconstitutional and void, especially section 41 of said Act in so far as it attempts to make it a crime and punish any person who forges or counterfeits a bill of lading where no shipment from one State to another is made or intended.

"Second. That said Act can only apply to bills of lading representing actual shipments of merchandise or commerce between the States. If it is intended to apply to wholly fictitious shipments it is unconstitutional and void so far as said fictitious shipments are concerned, because the power of Congress to legislate upon this subject matter is based wholly and solely upon the commercial clause of the Constitution, and if there is no commerce, there is no jurisdiction."

The demurrer was sustained and all the counts in the indictment were dismissed. The Court said:

"It was agreed in the argument and assumed in the briefs of counsel that the so-called bills of lading were fictitious in that there was no actual consignee and that they did not relate to any shipment or attempted shipment of corn whatsoever. This fact so agreed upon in open court is to be read into the indictment."

Dealing with the case thus made, the court observed:

"These bogus bills of lading were nothing but pieces of paper fraudulently inscribed to represent a real contract between real people and the actual receipt of goods for interstate shipment. * * * That they were inscribed so as to purport to relate to interstate shipments was nothing else than a fraud upon such persons as incidentally took them as collateral or otherwise. The execution of them and their use for obtaining money under false pretenses was nothing other than a crime of a kind cognizable by the criminal legislation of the States, and a matter with which the Congress, in the exercise of its power to regulate commerce, is not concerned."

And upon these premises, after reviewing what were deemed to be the controlling authorities, it was concluded that the case "must be decided in favor of the defendants and the holding made that Congress has not the power, under the commerce clause, to prescribe a punishment under the circumstances of this case and if the Congress has sought to do so the attempt is futile because without authority."

Despite the hypothetical form in which this conclusion is expressed, the context of the opinion makes it certain that, reading the facts charged in the indictment in the light of the admissions made at the argument, the Court construed the section of the statute as embracing such acts and decided that as thus construed it was void for repugnancy to the Constitution.

At the outset confusion in considering the issue may result unless obscurity begotten by the form in which the contention is stated be dispelled. Thus both in the pleadings and in the contention as summarized by the court below it is insisted that as there was and could be no commerce in a fraudulent and fictitious bill of lading, therefore the power of Congress to regulate commerce could not embrace such pretended bill. But this mistakenly assumes that the power of Congress is to be necessarily tested by the intrinsic existence of commerce in the particular subject dealt with, instead of by the relation of that subject to commerce and its effect upon it. We say mistakenly assumes, because we think it clear that if the proposition were sustained it would destroy the power of Congress to regulate, as obviously that power, if it is to exist, must include the authority to deal with obstructions to

interstate commerce (In re Debs, 158 U. S. 564) and with a host of other acts which, because of their relation to and influence upon interstate commerce, come within the power of Congress to regulate, although they are not interstate commerce in and of themselves. It would be superfluous to refer to the authorities which from the foundation of the government have measured the exertion by Congress of its power to regulate commerce by the principle just stated, since the doctrine is elementary and is but an expression of the text of the Constitution (Art. I, sec. 8, clause 18). A case dealing with a somewhat different exercise of power, but affording a good illustration of the application of the principle to the subject in hand, is *First National Bank v. Union Trust Company*, 24 U. S. 416.

Although some of the forms of expression used in the opinion below might serve to indicate that the error just referred to had found lodgment in the mind of the court, the context of the opinion makes it certain that such was not the case, since the court left no obscurity in its statement of the issue which it decided, saying "They (the fictitious bills of lading) did not affect commerce directly or indirectly. They did not obstruct or interfere with it in any manner and had nothing whatever to do with it, or with any existing instrumentality of it."

This statement not only clearly and accurately shows the question decided, but also with precision and directness points out the single and simple question which we must consider and dispose of in order to determine whether the court below erred in holding that the authority of Congress to regulate commerce did not embrace the power to forbid and punish the fraudulent fabrication and use of fictitious interstate bills of lading.

That bills of lading for the movement of interstate commerce are instrumentalities of that commerce which Congress under its power to regulate commerce has the authority to deal with and provide for is too clear for anything but statement, as manifested not only by that which is concluded by prior decisions, but also by the exertion of the power by Congress. Nothing could better illustrate this latter view than do the general provisions of the Act, the 41st section of which is before us. See also Act of June 29, 1916, chap. 3591, sec. 7, 34 Stat. 584, 593; Act of June 18, 1910, 36 Stat. 546; *Almy v. California*, 24 How. 169; *Thames v. Mersey Insurance Company*, 237 U. S. 19, 26; *Atchison, Topeka & Santa Fe Railway Company v. Harold*, 241 U. S. 371, 378; *Luckenbach v. McCahan Sugar Refining Company*, 248 U. S. 139; *Missouri, Kansas & Texas Railway Company v. Sealy*, 248 U. S. 365. That as instrumentalities of interstate commerce, bills of lading are the efficient means of credit resorted to for the purpose of securing and fructifying the flow of a vast volume of interstate commerce upon which the commercial intercourse of the country, both domestic and foreign, largely depends, is a matter of common knowledge as to the course of business of which we may take judicial notice. Indeed, that such bills of lading and the faith and credit given to their genuineness and the value they represent are the producing and sustaining causes of the enormous number of transactions in domestic and foreign exchange, is also so certain and well known that we may notice it without proof.

With this situation in mind the question therefore is, Was the court below right in holding that Congress had no power to prohibit and punish the fraudulent making of spurious interstate bills of lading as a means of protecting and sustaining the vast volume of interstate commerce operating and moving in reliance upon genuine bills? To state the question is to manifest the error which the court committed, unless that view is overcome by the reasoning by which the conclusion below was sought to be sustained. What was that reasoning? That the bills were but "pieces of paper fraudulently inscribed * * * and did not affect commerce directly or indirectly * * * and had nothing whatever to do with it or any existing instrumentality of it." But this rests upon the unsustainable assumption that the undoubted power which existed to regulate the instrumentality, the genuine bill, did not give any power to prevent the fraudulent and spurious imitation. It proceeds further, as we have already shown, upon the erroneous theory that the credit and confidence which sustains interstate commerce would not be impaired or weakened by the unrestrained right to fabricate and circulate spurious bills of lading apparently concerning such commerce. Nor is the situation helped by saying that as the manufacture and use of the spurious interstate commerce bills of lading

were local, therefore the power to deal with them, was exclusively local, since the proposition disregards the fact that the spurious bills were in the form of interstate commerce bills which in and of themselves involved the potentiality of fraud as far-reaching and all-embracing as the flow of the channels of interstate commerce in which it was contemplated the fraudulent bills would circulate. As the power to regulate the instrumentality was co-extensive with interstate commerce, so it must be, if the authority to regulate is not to be denied, that the right to exert such authority for the purpose of guarding against the injury which would result from the making and use of spurious imitations of the instrumentality must be equally extensive.

We fail to understand the danger to the powers of government of the several states which it is suggested must arise from sustaining the validity of the provisions of the act of Congress in question. On the contrary, we are of opinion that to deny the power asserted would be to depart from the text of the Constitution and to overthrow principles of interpretation which, as we have seen, have been settled since *McCulloch v. Maryland* and which in application have never been deviated from.

This conclusion remains unshaken despite an examination of the decided cases cited by the court below in its opinion or which were pressed upon our attention in argument, since in our judgment they all but express the general principles of interpretation which we have applied and which are decisive against the contention of want of power in Congress which was upheld below and is here insisted upon.

It follows that the judgment below was wrong. It must therefore be reversed and the case be remanded for further proceedings in conformity with this opinion.

And it is so ordered.

Mr. Justice Pitney dissents.
A true copy.

Test:

Clerk Supreme Court, U. S.

SUPREME COURT OF THE UNITED STATES

No. 777—October Term, 1918

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| The United States of America, Plaintiff in Error, vs. August Ferger, Thomas M. Dugan, and Robert H. Rasch. | } | Error to the District Court of the United States for the Southern Dis- trict of Ohio. |
|--|---|---|

[June 2, 1919.]

Mr. Chief Justice White delivered the opinion of the Court.

This case is disposed of by the ruling just announced in No. 776. The indictment here was for conspiring to do the various acts charged in the previous case, that is, the fraudulent fabrication and uttering of the same fictitious bills of lading and the obtaining of money thereon by delivering the same to the Second National Bank of Cincinnati as collateral. The demurrer which was sustained by the court below in the previous case was also sustained as to this.

While there is a separate writ of error and a separate record in this case it is conceded by all parties that the cases are in legal principle the same and that the decision of one concludes the other. It follows, therefore, that for the reasons stated in the previous case, No. 776, the judgment in this must be and it is reversed and the case remanded for further proceedings in conformity with this opinion.

And it is so ordered.

Mr. Justice Pitney dissents.
A true copy.

Test:

Clerk Supreme Court, U. S.

Trust Powers of National Banks in Missouri

SECTION 11k of the Federal Reserve Act containing grant of trust powers to national banks when not in contravention of state or local law, was amended in 1918 by a number of provisions which extended the scope of trust functions, defined the phrase when not in contravention of state or local law, provided the segregation of trust assets and regulation of trust business. Among other provisions of the amended section, was one which provided that whenever the laws of a state require trust corporations to deposit securities with the state authorities for the protection of private or court trusts national banks so acting, shall be required to make similar deposits.

This last-stated provision has given rise to considerable controversy and difference of opinion. In the State of New York, for example, where the law requires trust companies to deposit securities, the State Bank Superintendent refused to receive such deposits from national banks which had been granted trust powers on the ground that he had no authority, under the state law, to accept such deposits. In this position he was backed by the Attorney General of the State. To correct this situation, the state legislature passed a law conferring this power upon the State Superintendent. The Attorney General of Wisconsin also delivered a similar opinion to the Bank Superintendent of that state, but in Wisconsin the legislature refused to pass an authorizing statute but, to the contrary,

passed a law making it unlawful for national banks to exercise trust powers in the state.

As bearing directly upon this question, the Attorney General of Missouri has recently rendered an opinion on the same subject and in this opinion the contrary position is taken that, under the law of Congress, the Bank Commissioner is not only authorized, but must accept deposits of securities tendered by a national bank which has been granted trust powers, such securities being similar in character to those required of State trust institutions.

Following is the full text of the opinion, for an early copy of which we are indebted to Mr. Virgil M. Harris of St. Louis.

JEFFERSON CITY, Mo., June 12, 1919.

HONORABLE C. F. ENRIGHT,
State Bank Commissioner,
Jefferson City, Mo.

Dear Sir:

You request the opinion of this department on the following proposition:

"One of the national banks that have assumed fiduciary powers desires to deposit \$200,000 with me as Bank Commissioner and receive a certificate from me to that effect, presuming that in so doing they may qualify as guardian, curator, executor, administrator, etc., without giving bond as such.

"Q. Does any authority exist requiring me to accept such a deposit and issue the certificate? Such privileges are given in Section 166, but seem limited to companies incorporated under Article 111, Banking Laws, 1915; in other words, trust companies."

As the exact question you present has not been passed upon by any Federal court or the court of last resort in this state, we can render an intelligible opinion and arrive at conclusions which may be maintained only by reviewing, in more or less detail, the Act of Congress and amendments thereto under which national banks derive their authority to exercise the powers and functions of trust companies and the decisions of the United States Supreme Court passing upon the authority of Congress to legislate upon the subject.

The Federal Reserve Act, approved December 23, 1913, 38 Statutes at Large, 261, in Section 11 thereof, contains the following paragraph:

"(k) To grant by special permit to national banks applying therefor, when not in contravention of state or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds under such rules and regulations as the said board may prescribe."

This section was subsequently amended in 1916 and again in 1918, concerning which said amendment we shall have more to say hereafter.

Said paragraph (k) of said Section 11 came before the United States Supreme Court in the case of *First National Bank v. Fellows*, Attorney General of the State of Michigan ex rel. Union Trust Company, et al. This suit was a proceeding in the nature of *quo warranto*, brought by the attorney general at the relation of certain trust companies, to test the right of a national bank to exercise the powers and functions of a trust company by virtue of the authority conferred upon it under paragraph (k) of Section 11 of the Federal Reserve Act of 1913. As it was conceded by the complainants in this case that the exercise of said powers by said bank was not in contravention of the laws of the State of Michigan, there was presented to the court the question of the power of Congress to confer the powers and functions called in question.

The Supreme Court of the State of Michigan, on the theory that there was no apparent, natural connection between the business of banking and Federal fiscal operations and the business of acting in fiduciary capacities, held that the state not only controlled the devolution of estates of deceased persons and the conduct of private business within the state, but also the creation of corporations and the qualifications and duties of such as may engage in the business of acting as trustees, executors and administrators; and that the Act of Congress amounted to an invasion of the State's rights.

On appeal the Supreme Court of the United States, in an opinion by White, C. J., reported in 244 U. S. 416, held the decision of the state court in direct conflict with the rule laid down in the cases of *McCulloch v. Maryland* and *Osborne v. Bank*, previously decided by said court. The court summarized these earlier cases as establishing the rule that although a business is of a private nature and subject to state regulations, if it is of such a character as to cause it to be incidental to the successful discharge by a bank chartered by Congress of its public functions, it is

competent for Congress to give the bank the power to exercise such private business; that this rule excludes the power of the state in such case, although it may possess in a general sense authority to regulate such business, to use that authority to prohibit such business from being united by Congress with the banking function, since to do so would be but the exertion of such state authority to prohibit Congress from exerting a power which under the Constitution it has a right to exercise.

Upon the premises thus laid down, the court continues with its opinion as follows:

"From this it must also follow that even although a business be of such a character that it is not inherently considered susceptible of being included by Congress in the powers conferred on national banks, that rule would cease to apply if by state law state banking corporations, trust companies, or others which by reason of their business are rivals or quasi-rivals of national banks are permitted to carry on such business. This must be since the state may not by legislation create a condition as to a particular business which would bring about actual or potential competition with the business of national banks and at the same time deny the power of Congress to meet such created condition by legislation appropriate to avoid the injury which otherwise would be suffered by the national agency. Of course as the general subject of regulating the character of business just referred to is peculiarly within state administrative control, state regulations for the conduct of such business, if not discriminatory or so unreasonable as to justify the conclusion that they necessarily would so operate, would be controlling upon banks chartered by Congress when they came in virtue of authority conferred upon them by Congress to exert such particular powers. And these considerations clearly were in the legislative mind when it enacted the statute in question. This result would seem to be plain when it is observed (a) that the statute authorizes the exertion of the particular functions by national banks when not in contravention of the state law, that is, where the right to perform them is expressly given by the state law or what is equivalent is deducible from the state law because that law has given the functions to state banks or corporations whose business in a greater or less degree rivals that of national banks, thus engendering from the state law itself an implication of authority in Congress to do as to national banks that which the state law has done as to other corporations; and (b) that the statute subjects the right to exert the particular functions which it confers on national banks to the administrative authority of the Reserve Board, giving besides to that Board power to adopt rules regulating the exercise of the functions conferred, thus affording the means of coordinating the functions when permitted to be discharged by national banks with the reasonable and non-discriminating provisions of state law regulating their exercises as to state corporations—the whole to the end that harmony and the concordant exercise of the national and state power might result."

We call your attention to the language of the opinion following "(a)," quoted above, wherein the court holds that the powers conferred by Congress are not in contravention of the state law, for the reason that the right to perform such powers is expressly given by said law to state banks or other corporations, whose business in some degree comes in competition with that of national banks, and that Congress, therefore, has implied authority to extend to national banks the same powers and functions that have been conferred by the state upon said institutions.

We further call your attention to "(b)," appearing in above quotation, wherein the court comments on the authority of the Reserve Board to regulate the exercise of the functions conferred to the end that same may be carried out in harmony with state regulations.

The amendment of 1916, 39 Statutes at Large, 752, affected only paragraph (m) of said Section 11, and has no bearing on the question here under consideration.

Before carefully considering the force and effect of the provisions of the Act of 1918, amending said paragraph (k), in the light of the opinion of the United States Supreme Court in the aforesaid Michigan case, we were inclined to the opinion that, conceding the right of Congress to confer upon national banks the powers of trust companies, such institutions were not brought under the authority of the state nor subjected to the regulation of the State Banking Department, whereby the interests of the people of the state are sought to be protected, and were not, therefore, entitled to the privileges extended to companies created under state laws and subject to its supervision. After further investigation and careful consideration, however, we are constrained to believe that the power of Congress, as declared by the United States Supreme Court on the principal proposition, that is, on its power to confer upon national banks the authority of acting in fiduciary capacities and the basis upon which such power is placed by the Supreme Court, would unquestionably be extended by said court to the conferring of the functions, rights and privileges incident thereto, including such as are covered by the Act of 1918.

With the evident intention of extending and further securing the powers conferred by said paragraph (k), Congress, in an Act, approved September 26, 1918, 39 Statutes at Large, 752, amended said paragraph to read as follows:

"To grant by special permit to national banks applying therefor, when not in contravention of state or local law, the right to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which state banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the law of the state in which the national bank is located.

"Whenever the laws of such state authorize or permit the exercise of any or all of the foregoing powers by state banks, trust companies, or other corporations which compete with national banks, the granting to and the exercise of such powers by national banks shall not be deemed to be in contravention of state or local law within the meaning of this Act.

"National banks exercising any or all of the powers enumerated in this subsection shall segregate all assets held in any fiduciary capacity from the general assets of the bank and shall keep a separate set of books and records showing in proper detail all transactions engaged in under authority of this subsection. Such books and records shall be open to inspection by the state authorities to the same extent as the books and records of corporations organized under state law which exercise fiduciary powers, but nothing in this Act shall be construed as authorizing the state authorities to examine the books, records and assets of the national bank which are not held in trust under authority of this subsection.

"No national bank shall receive in its trust department deposits of current funds subject to check or deposit of checks, drafts, bills of exchange, or other items for collection or exchange purposes. Funds deposited or held in trust by the bank awaiting investment shall be carried in a separate account and shall not be used by the bank in the conduct of its business unless it shall first set aside in the trust department United States bonds or other securities approved by the Federal Reserve Board.

"In the event of the failure of such bank the owners of the funds held in trust for investment shall have a lien on the bonds or other securities so set apart in addition to their claim against the estate of the bank.

"Whenever the laws of a state require corporations acting in a fiduciary capacity to deposit securities with the state authorities for the protection of private or court trusts, national banks so acting shall be required to make similar deposits, and securities so deposited shall be held for the protection of private or court trusts, as provided by the state law.

"National banks in such cases shall not be required to execute the bond usually required of individuals if state corporations under similar circumstances are exempt from this requirement.

"National banks shall have power to execute such bond when so required by the laws of the state.

"In any case in which the laws of a state require that a corporation acting as trustee, executor, administrator, or in any capacity specified in this section, shall take an oath or make an affidavit, the president, vice-president, cashier or trust officer of such national bank may take the necessary oath or execute the necessary affidavit.

"It shall be unlawful for any national banking association to lend any officer, director or employee any funds held in trust under the powers conferred by this section. Any officer, director or employee making such loan, or to whom such loan is made, may be fined not more than \$5,000, or imprisoned not more than five years, or may be both fined and imprisoned, in the discretion of the court.

"In passing upon applications for permission to exercise the powers enumerated in this subsection, the Federal Reserve Board may take into consideration the amount of capital and surplus of the applying bank, whether or not such capital and surplus is sufficient under the circumstances of the case, the needs of the community to be served, and any other facts and circumstances that seem to it proper, and may grant or refuse the application accordingly; provided, that no permit shall be issued to any national banking association having a capital and a surplus less than the capital and surplus required by state law of state banks, and trust companies and corporations exercising such powers."

In the second paragraph of the amendment of 1918 it is provided that the exercise of the powers conferred by national banks "shall not be deemed to be in contravention of state or local law within the meaning of this Act." Thus is excluded the right to interpose as a defense the objection that the exercise of such powers comes within the limitation contained in the Act, to wit, that they shall not be in contravention of state or local law.

The Act then proceeds, as can readily be seen, to lay down rules and regulations whereby the exercise of such powers by national banks shall be conducted with a view to safeguarding those who may deal with them in their fiduciary capacity, all for the obvious purpose of bringing said institutions within the regulations set up by the laws of the state governing local corporations.

Said Act provides that the State Banking Department shall have the right to examine the books and assets of national banks pertaining to the trust business conducted by them, which business must be kept separate and apart from the other transactions of the institution. It further grants to the owners of trust funds held by the bank a special lien on the bonds or other securities set apart in addition to their claim against the general assets of the bank. Thus an effort is made to properly safeguard the interests of those who deal with such a bank in its fiduciary operations.

You will note that said Act provides that where the state requires corporations acting in fiduciary capacities to deposit securities with state authorities before being allowed to act as fiduciaries without execution of the usual bond, national banks, which have obtained the necessary permit to assume trust relations, shall make a like deposit with the state au-

thorities and shall be entitled to all of the privileges extended to state corporations under similar circumstances. If national banks are given the same powers to act in fiduciary capacities as are conferred on trust companies under the banking act of this state, then, by the terms of section 166, they are entitled to avail themselves of its provisions. Thus we reach the specific question you present and lay the basis for our conclusion, that as Bank Commissioner you are not only authorized to, but must accept the deposit tendered

you by a national bank which has secured the permit of the Federal Reserve Board to act in fiduciary capacities, which said deposit must equal in amount and be similar in character to that required of state institutions under Section 166, of an Act of the General Assembly of the State of Missouri, approved March 25, 1915, relating to banks and trust companies.

Respectfully submitted,

(Signed) J. B. SKELLEY,
Assistant Attorney-General.

Opinions of the General Counsel

DIGEST OF LEGAL OPINIONS

In response to numerous requests by members of the American Bankers Association, announcement is made that a digest of the legal opinions of the General Counsel has been prepared and is ready for publication. The book will contain about 250 pages and is a synopsis or condensation of 1338 opinions, which have been published in the JOURNAL-BULLETIN during the period from July, 1908, to June, 1919, inclusive, or eleven years.

The members of the American Bankers Association have submitted for legal opinion and advice all sorts of questions dealing with practical banking problems which have actually confronted them in business. For this reason there are certain features of the book that are worthy of note.

First, the digest covers a wide and varied range of subjects that have already proved of vital and practical interest to members, and knowledge of which will enable one member to gain by the experience of others; second, it deals with those subjects and problems based upon the experiences of members which have been troubling them most; and third, it possesses a unique feature in that it contains many matters of inquiry, which have never reached a court and upon which there has been no litigation, and in these matters in the absence of precedent, advice and suggestions reasoned out upon legal principles have been given. The arrangement, classification and indexing should make it a ready reference book.

The price of the Digest to members only has been fixed at \$2.50 which it is estimated, will cover the expense of publication. To non-members the price of \$5 will be charged.

Since the first publication of this announcement in the June issue of the JOURNAL, orders for the book have been flooding the Association's offices, showing a great demand for copies. Two weeks have now elapsed since the original announcement and over 3,000 subscriptions have been received. This increasing demand can easily be met as the type is being held by the printer awaiting orders for additional copies. Members are at liberty to write a letter asking the Association to enter their subscription, or they may use the order form which appears on the last advertising page of this issue.

In announcing the publication of our Digest of Legal Opinions, we are pleased further to announce the publication by the *Banking Law Journal* of New York of a digest of all the decisions published in that Journal from its foundation in 1889 to March, 1919, a period of thirty years. This will make a book of over 400 pages and will prove of much value to banks. It is to be differentiated from the Digest of Legal Opinions, in that it is a digest of court decisions, while the Digest of Opinions of the General Counsel covers many questions that have not as yet been passed upon by any court. There is no conflict, therefore, between the two publications, and we deem both of great value to the banking fraternity.

FORGERY OF INDORSEMENT BY PERSON OF SAME NAME

Where a check is made payable to a specified payee by name and mailed to him and the letter is delivered to a person of the same name in the same town who indorses and deposits the check in a bank which receives payment, the indorsement is a forgery and the depository bank is liable to refund to the payor bank which cannot charge the amount to the drawer's account in the absence of negligence of the latter—The fact that the drawer issues a duplicate to the true payee without inquiring of the bank as to payment of the original is not such negligence as would estop the drawer from questioning the validity of the payment of the original on forged indorsement, so as to charge him with the loss rather than the bank acquiring the check from the forger.

From Pennsylvania—Under date of December 9, M. S. & Company of New York City in payment of furs, mailed a check to Samuel Jackson (real name changed) and the Post Office Department delivered the communication to another party having the same name. The party receiving the check, presented it at our window for deposit, and being known to the teller who waited upon him, as Samuel Jackson, check was accepted and placed to his credit. In the course of his business within the next month, he withdrew these funds from his account. The correct Samuel Jackson, not receiving the check from M. S. & Company, advised them and sometime in January they issued a duplicate check and forwarded the same, which was delivered to the correct party. This transaction occurred about one month after the original had been presented at their bank and charged against their account. They issued the duplicate without making inquiry

of their bank regarding the fate of the original check. If they would have taken this ordinary precaution, they would have discovered that the original check had been presented and paid, and could have advised the party as to the presentation and payment of the original, and upon this information we could have taken up the deposit of the check by the other Samuel Jackson. It so happens that the Samuel Jackson who received the original check has removed from our town and we have not been able to secure his address. What I would be pleased to know is as to the liability, if any whatever, of our bank in this transaction. We gave value for the check without any knowledge of any irregularity, and the check having been presented by the party known to us as Samuel Jackson, we certainly were not warranted in believing there was any irregularity in the transaction. Furthermore, M. S. & Company issued their duplicate check without taking the ordinary precaution to inquire as to the fate of the original; therefore, I claim they were negligent and consequently cannot hold our bank liable. We were not in any way responsible in the transaction, inasmuch as the Post Office Department delivered the letter to the wrong party with the same name.

It is a rule of the common law supported by numerous decisions, that an indorsement of a check by a person having the same name as the person to whom the check is payable, but not the true payee, is a forgery so that one purchasing the check under such indorsement acquires no title thereto and the bank which pays the check upon such forged indorsement cannot ordinarily charge the amount to the drawer's account. *Russell v. First National Bank*, 56 So. (Ala.) 868; *Beattie v. National Bank of Illinois*, 51 N. E. (Ill.) 602; *Graves v. American Exchange National Bank*, 17 N. Y. 205.

While this is a harsh rule on the purchaser or payor bank, it is well settled by the authorities and unless the drawer of the check can be charged with some responsible negligence in connection with the transaction so as to estop him from asserting the forgery of the payee's indorsement, the loss will fall upon the payor bank or, if the check has been purchased before collection, the loss will ultimately fall upon the purchaser.

A case in which a loss of this kind was fixed upon the drawer of the check because of negligence rather than upon the payor bank is *Weisberger Co. v. Barberton Savings Bank Co.*, 95 N. E. (Ohio) 379. In that case the drawer of a check, a resident of Cleveland, was indebted to one Max Roth, whose place of business he knew to be 48 Walker Street, New York City. He drew a check on his local bank in favor of Roth and enclosed the check with a letter in an envelope which through mistake he addressed to "Max Roth, 48 Walker Street, Cleveland, Ohio." The letter-carrier found no one of that name on Walker Street, but did find a Max Roth on Henry Street in Cleveland to whom he delivered the letter. The latter indorsed the check "Max Roth" and obtained the cash from an acquaintance who indorsed and deposited the check in his bank in Cleveland, and it was presented to the drawee bank who paid it and charged it to the drawer's account, having no knowledge of the mistake. The debtor afterwards discharged his debt to the New York creditor by other means and then brought suit against the drawee bank to recover the amount so charged to his account. The Supreme Court of Ohio held that the drawer of the check was first in fault, and as his negligence contributed directly to the wrongful and fraudulent perpetration of the fraud he was not entitled to recover. The Supreme Court said that "the careless-

ness of the plaintiff put it within the power of the Cleveland man to perpetrate a fraud and obtain the proceeds of the check, which he did at the hands of his acquaintance * * * While it is true that a forged indorsement transfers no title to the check, we cannot avoid a comparison of the negligent conduct of the plaintiff, with the apparent good faith of the defendant, acting as it did under the circumstances narrated. The misdirected letter was the source of possibilities that became realities in this case. * * * In the case at bar, it appears that neither the depositor nor the bank intended to commit any wrong and we may apply a rule the substance of which is that where one of two innocent parties must suffer because of a fraud or forgery, justice imposes the burden upon he who is first at fault and put in operation the power which resulted in the fraud or forgery."

In the case stated by you there was no carelessness on the part of the drawers in issuing the check, as in the Cleveland case. The check was mailed to the payee addressed to him in the town where he resided, but it so happened that there was another man of the identical name in the same town who was a depositor in your bank and to whom the post-office delivered the letter. He was guilty of forgery in indorsing the name of the payee to the check and receiving credit thereon from your bank, although the name of the payee was the same as his own. Your bank was perfectly innocent in the matter, but unless there was some carelessness or negligence on the part of the drawers which would preclude them from objecting to the charge of the amount to their account by the payor bank, the latter could not charge the amount to them, but would have a right of recovery from your bank for money paid to you on a check bearing a forged indorsement.

The only facts upon which a contention of negligence is based are that about a month after the original check had been paid upon a forged indorsement, and charged to the account of the drawers, they issued a duplicate, upon advice from the true payee that the original had not been received without making inquiry of the bank regarding the fate of the original. It is contended that this was an ordinary precaution which they should have taken, and if they had made such inquiry they would have discovered that the original check had been presented and paid on indorsement of the wrong person, and prompt notice of this information to your bank would have been in time to enable you to charge the amount back to your depositor before his withdrawal of the funds and removal from the state.

It is true that the drawers may have owed a duty to themselves to make inquiry of the bank as to payment of the original, before issuing a duplicate, as a safeguard against possible fraud on the part of the true payee who might have negotiated the check and made false claim of non-receipt, and by issuing a duplicate without making such inquiry, they took the risk that the original had not been negotiated and paid; furthermore, in any case where they made inquiry and found that the check had not been paid, they would take the risk in any event, of issuing a duplicate without requiring indemnity against negotiation of the original by the true payee.

But the question here is, assuming they chose to

take such risk and issue a duplicate without making inquiry, was there any duty to the outside public to make inquiry concerning payment of the original before issuing a duplicate? The payee of the original may have been a valued and responsible dealer and they may have been perfectly willing to trust his word as to non-receipt without further inquiry; if so, as the original check could not have been negotiated except by indorsement of the payee, I fail to see where any duty arose to the general public to make inquiry of the bank as to payment of the original so that, in the event of possible fraudulent negotiation of the check to one of the public under forged indorsement and payment of the check bearing such forged indorsement, the purchaser might receive notice possibly in time to obtain reimbursement from the forger. Where a check is issued payable to order and has been lost before it reaches the true payee, I know of no principle of law which imposes a duty upon the drawer to notify the general public of such loss that they may safeguard themselves against purchase from a forger. In such case, the general principle applies that the drawer is not bound to presume that any person to whom the lost check may in any manner come, will be guilty of crime, but rather he may rely on the presumption of honesty; and concerning the duty of inquiry of the bank as to payment of the original before issuing a duplicate this, as said, is only a duty which the drawer owes to himself and not to the outside public. Such inquiry, if made, would not afford any protection to the public against its fraudulent negotiation in any case where the check had not been paid and where, as in the present case, the check had already been negotiated and paid on forged indorsement, the only benefit to the purchaser would be after the fraud had been perpetrated by giving him notice of the forgery and a possible chance to obtain reimbursement from the forger. But although in a case like the present such inquiry of the bank and notice would have been of material benefit to the purchaser, there is no rule of law imposing such duty on the drawer of a lost check.

It follows that in the present case the rule will apply that an indorsement by a person of the same name but not the real payee is a forgery and the bank in this case, having taken such check on deposit under forged indorsement, acquired no title thereto and will be liable to refund the amount to the payor bank which cannot charge the amount to the drawer's account.

The loss on the purchasing bank, or bank of deposit, in this case, results from an unusual combination of circumstances. In the first place, the rule of law that indorsement by a person of the same name but not the real payee, is a forgery, is a harsh one which has been established by the courts through a line of precedents and which might in its original inception, have been otherwise. The drawer makes his check payable to order of John Smith, having in mind a particular John Smith. The courts hold that any other John Smith to whom the check comes by accident, is not the true payee who was in the drawer's mind and is not the person to whom the bank is ordered to make payment; hence his indorsement is a forgery. But this theory imposes an impracticable duty upon the bank responsible for payment because it cannot determine which particular John Smith the drawer

had in mind. As a check drawn payable to bearer is payable to any bearer, it would seem that a more practicable rule would be one which would make a check drawn to order of John Smith payable to any John Smith truly of that name. But such is not the law at present and the bank of deposit in this case is the sufferer from this harsh rule coupled, in the second place, by the peculiar coincidences that two persons of the same name lived in the same town, that a check payable to one of them was delivered by the post-office to the other, who was an accredited depositor in the bank, and that such depositor proved dishonest and by writing his own name on the back of the check, committed forgery of the name of the true payee. Your bank, therefore, is the sufferer from a peculiar combination of circumstances against which ordinary precautions would not safeguard.

LOST SAVINGS PASS-BOOK

A savings pass-book is not a negotiable instrument and where the depositor claims that his book has been lost and the bank is satisfied as to his identity, the bank may safely pay him the money or issue a duplicate, upon proper receipt, without requiring indemnity, which is only necessary where the bank is in doubt as to the identity of the depositor.

From Pennsylvania—We have a foreign lady that has quite a nice savings deposit with us and she advises us that her savings account book has been stolen. In this case it would not do any good to have her sign a bond of indemnity and we do not think she could get any one to go on with her on such a bond. In your opinion, should we issue a duplicate book and do you consider a savings account book negotiable?

It has been held in many cases that a savings pass-book is not a negotiable instrument. See, for example, *Mills v. Albany Exchange Savings Bank*, 28 Misc. (N. Y.) 251.

Not being negotiable, where the bank is sure of the identity of the depositor whose book is claimed to be lost, it may safely pay the money or issue a duplicate to him, without indemnity; for no transferee of the book can obtain any greater rights than the original depositor, and should the money afterwards be demanded upon presentation of the original book by a transferee of the depositor, the defense of payment would be available against such transferee.

In the Missouri case of *Bayer v. Commonwealth Trust Co.*, 126 S. W. 268, the court, in denying to the bank the right to require a bond of indemnity as a condition precedent to making payment to a depositor whose book had been lost, said:

"The very purpose of the organization of savings banks is to accommodate people of small means, and it goes without saying that many of these people might be unable to furnish bond at all, and, hence, if the rule requiring an indemnity bond to be given before the repayment of money in case of the loss of a pass-book was a condition precedent to be complied with in all cases, many instances would arise in which the party would be compelled to lose his money, and the defendant would be enriched to that extent. * * * The reason which justified the adoption of the rule requiring bond before payment of money, after the loss of a pass-book, is the necessity for protecting defendant against the possibility of being compelled to again pay should some other person produce the pass-book. It logically follows that when, in a given case, the defendant had no reason to fear that any loss might occur in that way, then there would be no

reason for requiring the bond. These pass-books are not negotiable. Hence, if the amount deposited was paid to the person who deposited it before receiving notice of the transfer of a pass-book, such payment would be an absolute protection to the defendant against any demand that might subsequently be made by one having the pass-book in his possession, so that the real necessity for requiring bond in such a case would be to protect the bank in case a mistake was made in the identity of the person to whom they were paying the money. In this case there was no question about the identity of the depositor. * * * Had there been any question as to the identity of the depositor, then, in that event, the right of defendant to insist on the bond of indemnity would have been absolute, and plaintiff could not, and ought not to have recovered the money until the bond was furnished; but, under the evidence in this case, the court was justified in holding that the bond should not have been required."

In your case, there is no question, I understand, as to the identity of the depositor who asks a duplicate book. In the case of a bank carrying many thousands of accounts where a person comes to the bank, claiming to be a depositor on a given account and alleges loss of his book, and the bank is uncertain whether such person is in reality the depositor he claims himself to be—in other words, is uncertain as to his identity—there is reason for requiring a bond of indemnity so that in the event such person is an impersonator and not the real depositor, the bank would be protected. But where, as in your case, you are sure of the identity of your depositor, there is no necessity for requiring indemnity, as the pass-book is not negotiable. I think, therefore, you can safely issue a duplicate book, taking the proper receipt or acknowledgment from your depositor.

CHECK RAISED IN AMOUNT

Where a check executed for \$10.10 is fraudulently raised to \$50.10 and negotiated to a merchant for the increased amount, the latter can only hold the drawer liable for the original amount of the check in the absence of negligence on the part of the drawer in carelessly executing the check with blank spaces unfilled.

From Missouri—On May 5th one of our customers by the name of L authorized one of his employees, W, to write a check on his account in favor of H for \$10.10 on the Bank of A. This check was indorsed by H and was cashed by one of the merchants, for a brother of H, but the check had been raised from \$10.10 to \$50.10 by one of the H brothers. This bank (Bank of A) had refused payment on the check, as the signature of Mr. L's employee did not appear on our books and we had received no authority to honor the signature of the employee. The merchant is now holding the check and is out \$40. We would like to know if the merchant has to suffer the loss, or if Mr. L, the drawer of the check, would have to stand the loss.

At common law the material alteration of a negotiable instrument avoided it even in the hands of a bona fide holder. The Negotiable Instruments Law has modified the common law rule by providing that "when an instrument has been materially altered and is in the hands of a holder in due course, not a party to the alteration, he may enforce payment thereof according to its original tenor."

Under the law, therefore, the merchant who cashed the raised check could hold the drawer for its original amount, namely, \$10.10, but would be the loser of the \$40, the amount of the increase, unless the drawer of the check executed it in such a careless manner as to

leave blank spaces in which the increased amount could be filled in without detection. For example, where a note for \$500 was executed and a space left before and after the written amount and it was raised to \$2,500 and sold to a bona fide purchaser, it was held that the maker was liable to the purchaser for the full amount. *Hackett v. First Nat. Bank*, 70 S. W. (Ky.) 664. Also, where in a note for \$300 a blank space was left between the words "hundred" and "dollars" which was filled in by adding the words "and twenty" it was held that the maker was liable to a bona fide purchaser. *Yocum v. Smith*, 63 Ill. 321. But where a note for \$100 was fraudulently raised by erasing the word "one" and inserting "thirteen" the maker was held not liable to a bona fide holder, distinguishing this case from one where the word "thirteen" was written in a blank space in which case the maker would be liable. *Merritt v. Boyden*, 60 N. E. (Ill.) 907.

In the case stated by you it does not appear whether any blanks were left in the check when it was executed for \$10.10. Assuming it was executed in the ordinary manner and the written word "ten" erased or changed to "50," I do not think the maker of the check would be held liable for the raised amount because of careless execution and the merchant who purchased the check would be the loser of the \$40, except for such possibility of recourse as he might have against the person who made or assented to the alteration.

LIABILITY OF COLLECTING BANK

Where Bank A mails a sight draft to Bank B which in turn mails same to Bank C by whom the item is presented and refused payment, but no report is made by Bank C of its dishonor, and Bank B fails for several months to trace and report its non-payment to Bank A, the drawer having failed in the meantime, Bank B is liable to Bank A for its negligence in failing to promptly make inquiry, and Bank C is liable to Bank B for failure to give prompt notice of non-payment.

From Virginia—Your opinion on the following will be appreciated. Our bank, A, received from one of its depositors a sight draft drawn on a firm in Norfolk, Va., for which immediate credit was given the depositor. The item was forwarded to B Bank in Petersburg, Va., as a cash item and credit was given A Bank. B Bank forwarded the item to its correspondent in Norfolk, Va., charging that bank, with which they carry an account. The Norfolk bank presented the item immediately and it was refused. They did not credit the account of B Bank, but failed to return the item or notify B bank that same was refused. This item left A Bank December 4, 1918, and was forwarded by B Bank December 5. In checking the account current for December (this was not done until January 27, 1919) B Bank discovered that the item had not been credited and noted it as an exception on their reconciliation. They did the same with the January, February and March statements. In April they took the matter up with the Norfolk bank and discovered that the item was refused and that a check was sent direct to our depositor. We were not notified of this fact until April 9, 1919. B Bank claims that in accepting this item from us its only duty was to use due diligence in selecting a bank in the city on which the item was drawn, and was only acting as our agent in the matter, and that it is up to us to recover from the depositor or the Norfolk bank. The depositor has since gone through bankruptcy. We claim that after accepting this item it was the duty of B Bank to promptly trace same when they failed to receive an acknowledgment from their correspondent and notify us that the item had not been paid.

The fact that the item had not been paid certainly came to their attention on January 27 when they checked their account current for December, but they did not notify us until April 9, when it was too late for us to recover from our depositor, and the draft has never been returned to us. If possible, will you kindly cite a similar case from this state?

In this case there was neglect of the Norfolk bank in failing to promptly notify the Petersburg bank that the sight draft was unpaid, and also neglect upon the part of the Petersburg bank in failing to promptly trace the unacknowledged item and notify the A Bank. Because of this delay and neglect loss has resulted to the A Bank, the depositor of the draft having in the meantime become bankrupt.

It is well settled that for any neglect in failing to give notice of dishonor the collecting bank is liable. *Bird v. Louisiana State Bank*, 93 U. S. 96; *Chapman v. McCrea*, 63 Ind. 360; *Exchange Bank of Wheeling v. Sutton Bank*, 78 Md. 577. Therefore the Norfolk bank, for its neglect in this case, can be held liable for the resulting loss.

The Petersburg bank contends that this liability runs solely to your bank and that it as an intermediary bank is not responsible to your bank, as its sole duty was performed when it used due care in selecting a suitable bank in Norfolk to make the collection.

Two rules of liability of a bank receiving an item for collection for defaults of correspondents prevail in different jurisdictions, one that the collecting bank is an independent contractor and the correspondent bank which it selects is its own agent for whose acts and defaults it is responsible; the other that the collecting bank merely undertakes to use due care in selecting a sub-agent and in transmitting the paper and if it exercises such care it is not responsible for the sub-agent's acts and defaults, such sub-agent being directly responsible to its principal.

I do not find that the courts of Virginia have as yet established either rule but assuming, as contended by B Bank, that the last-stated rule will be held to prevail there and govern its liability, still the mere selecting of a suitable correspondent and transmitting the paper to the latter does not measure the full duty of the bank. There is still a duty in case an item is not heard from to promptly make inquiry and trace same and report to its principal the reason of the delay and for negligence in performance of this last-stated duty, the collecting bank is itself liable to its principal for any loss resulting. See, for example, *Daly v. Butchers & Drovers Bank*, 56 Mo. 94, where the court held that a bank receiving for collection a draft payable in another state and forwarding same to a suitable correspondent is not liable to the owner in case of neglect or default by the correspondent "unless by some after act it makes itself responsible."

You will find in the JOURNAL of the Association for April, 1919, at page 557 and again in the JOURNAL for May, 1919, at page 610, a citation of authorities in which banks have been held liable for failure to trace and report unacknowledged items within a reasonable time.

I think, therefore, in the present case the A Bank has a direct right of action against the Petersburg bank for the amount of the loss, based on the latter's negligence in failing to promptly trace and report the non-payment of the draft received by it for collection

and is not compelled to resort to the Norfolk bank in the first instance, although, assuming the second of the rules above stated should be held to prevail in Virginia, it would also have a right of action against the Norfolk bank as its sub-agent. In the event the A Bank seeks recourse upon the Petersburg bank, that bank would in turn have a right of action against the Norfolk bank for its negligence in failing to give notice of non-payment.

PROTEST OF CHECKS

Where there are two banks in a town and checks drawn on one bank are presented by the other and payment refused, the presenting and not the payor bank is the proper one to cause protest to be made.

From North Carolina—There has been discussion over a little matter which I will explain and will appreciate your advice upon as soon as convenient. The matter is this: The two banks of our town naturally get out-of-town items on each other and daily we exchange them. When there is a bad check subject to protest, should it be handled in this way? If the other bank holds the "subject to protest" check on us and we refuse same, is that bank the bank to order it protested or is it to be protested by the bank it is drawn upon? Up until now they have been protesting all checks that they held on us on which we refused payment and we have been protesting all checks that we receive from out of town on them that were subject to protest; but I think the bank that the check is drawn on is the bank that should have the check protested. I will appreciate it if you will advise me which is the right way of handling a matter of this kind.

Protest is made on behalf of the owner of the check who desires the certificate of the notary as a convenient means of proving dishonor. Naturally, therefore, the bank whose function it is to hand over the check to the notary for protest is the one which is agent for the holder. Where there are two banks in town and one receives checks on the other which are refused payment because not good or for other reason, the bank holding the checks and not the bank on which drawn, is the owner's agent and the proper one to cause protest to be made.

Where a check is forwarded by mail to the bank on which drawn, which is frequently done, and the check is dishonored by non-payment, the drawee in such case acts in a dual capacity; as agent of the drawer to pay his checks when in funds and refuse them when not good and as agent of the owner to cause protest to be made in the event of dishonor. But where there are two banks and one bank receives checks drawn on the other which are not paid, the presenting bank is the proper bank to cause protest to be made.

PAYMENT OF DEFECTIVELY INDORSED CHECK

Where the indorsement of the payee is defective, the payor may refuse payment; but with some banks it is customary for the payor to certify before returning check for proper indorsement so as to save the fund to the holder and some banks will pay upon a guaranty of the prior defective indorsement—Discussion of the better procedure.

From New York—We have been criticised for refusing payment of a check drawn on us payable to the order of

"E. C. Jones" and indorsed "E. C. Jones Sign Company." On presentation to us we returned for proper indorsement, certifying the check. The bank which presented the check criticises our action, stating that their indorsement

"Pay to the order of any bank or banker

Prior indorsement guaranteed

.....New York Bank

.....New York"

made it unnecessary for us to insist upon an indorsement technically correct. While we know that the indorser in due course warrants the genuineness of a check and of the preceding indorsements, we have always felt that the paying bank was responsible for seeing that the indorsement agreed with the name written on the face of the check. Your opinion will be received with great interest.

Legally, the drawee or payor bank is entitled to proper indorsement before it pays a check and may rightfully refuse to pay where the indorsement is defective or missing. As said by the court in *Harden v. Birmingham Trust & Savings Bank*, 55 So. (Ala.) 943, "in order to fix the liability, as for breach of duty, on a bank for failure to pay a check of a depositor drawn in favor of another person, it must appear that the check was presented at the proper time and place, and properly indorsed by the payee and, if it has been transferred by the payee to another, then it should be indorsed by such other person also."

But payor banks frequently, for reasons of convenience, waive their strict legal rights and where a check is presented, defectively indorsed, coupled with guarantee of the indorsement by the presenting bank, will pay the check, relying upon the guarantee should the indorsement in any case prove to be not the rightful indorsement of the payee and be rejected by the drawer.

Also in cases of defective or irregular indorsements it is the practice of many payor banks to certify the check as good when properly indorsed and then return it, thereby insuring to the holder the fund which otherwise, had it exercised its strict legal right to refuse payment, might be withdrawn before the check could be again presented with proper indorsement. Certification, of course, is not obligatory in any case but only at the option of the bank.

Whether certification or payment on guarantee is the better procedure in the case of defectively indorsed checks, assuming the payor bank waives its strict legal right to refuse payment is, probably, a debatable question. If payment is made on guarantee, there is no necessity to send the check back; this trouble is saved and it is immediately filed among the paid vouchers and in the majority of cases accepted by the drawer without question. On the other hand, the drawer would have the right to object to charge to his account of a defectively indorsed check and insist that he was entitled to the correct indorsement of the payee, whereas if the check was certified, good when properly indorsed, it would not be finally returned to the drawer as a voucher except under proper indorsement.

In the case presented by you the check was drawn payable to "E. C. Jones" and indorsed "E. C. Jones Sign Co." You certified the check, but the presenting bank insists you should have paid same on the ground that the words "prior indorsement guaranteed" insured you against loss. The point of your letter, as I take it, is that in this particular case, the indorsement was not

merely defective or irregular, but there was no indorsement at all by the payee; that the payee E. C. Jones was one person and the indorser E. C. Jones Sign Co. another; that therefore the guarantee did not cover such a case. As a matter of fact, the indorsement may or may not have been by the payee—that is to say, E. C. Jones may or may not have been doing business as the E. C. Jones Sign Co.—but whether it was a defective indorsement by the payee or a case where the payee's indorsement was wholly lacking, I am of opinion that in either event the words "prior indorsement guaranteed" would constitute a warranty that the indorsement appearing on the check was in fact the genuine indorsement of the payee, so that your bank would be protected in paying thereunder. At the same time the question remains whether your depositor might object to an indorsement of this character and whether the procedure adopted by you of certifying the check good when properly indorsed was not the best under the circumstances. As shown, it is entirely within the option of the payor bank whether it shall refuse payment absolutely, certify as good when properly indorsed, or pay the check at once upon a guarantee of the indorsement.

INCREASE OF BANK STOCK

Where the capital stock of a bank is increased in the method provided by law, each stockholder has a right to subscribe to such proportion of the new stock as the number of shares owned by him bears to the whole number of shares before the increase and cannot be compelled to accept cash instead of new stock.

From Wisconsin—We are contemplating an increase of our capital stock from \$25,000 to \$50,000, declaring 50 per cent. stock dividend to the present stockholders and placing the other 50 per cent. with customers who would make desirable stockholders. Would be pleased to have you advise whether we could pass a resolution at the special stockholders meeting making it legal and binding to pay the non-resident or undesirable stockholder in cash in proportion to the sale of the stock to the new stockholders and in this way avoiding the undesirables from taking on some more stock. Also advise how to avoid getting half shares on our books. Could we pay the half shares in cash?

The rule is well recognized that when the capital stock of a corporation is increased by the issue of new stock, each holder of the original stock has a right to offer to subscribe for and to demand from the corporation such a proportion of the new stock as the number of shares already owned by him bears to the whole number of shares before the increase. (*Strickler v. McElroy*, 45 Pa. Super. Ct. 165.)

This preemptive right of the stockholder in respect to new stock seems to be well settled. (*Eidman v. Bowman*, 58 Ill. 444; *Stokes v. Continental Trust Co.*, 186 N. Y. 285 [holding that a stockholder in a domestic corporation has an inherent right to a proportionate share of new stock issued for money only and not to purchase property for the purposes of the corporation or to effect a consolidation]; *Gray v. Portland Bank*, 3 Mass. 364; *Electric Co. v. Edison Electric Co.*, 200 Pa. St. 516 [holding that the directors of a corporation have no power to invite sealed bids for new stock and to award it to the highest bidder. The right to subscribe to new stock belongs to the stockholders of the

corporation at the time of its issue and the directors are powerless to deprive them of this right]; *Dousman v. Wisconsin etc. Smelting Co.*, 40 Wis. 418 [holding that where the board of directors of a corporation, in issuing new stock to the shareholders generally, refuse to issue to a particular stockholder his due proportion thereof, he may compel its issue to him by suit in equity against the corporation. On this point the court said: "Clearly his [the stockholder's] remedy is against the corporation. Probably he might have maintained an action at law against it. *Gray v. Portland Bank*, 3 Mass. 364. But the effect of such an action would be to convert part of his interest as a shareholder into a judgment for damages; in other words, to sell a portion of his stock to the corporation. That he is not obliged to do. He has a right to maintain his proportionate interest in the corporation, certainly as long as there is sufficient stock remaining undisposed of by the corporation."]]

It will thus be seen that a stockholder could not be compelled to accept cash in lieu of the proportion of the 50 per cent. *stock dividend* to which he is entitled, since he cannot be compelled to sell a portion of his stock to the corporation, and "has a right to maintain his proportionate interest in the corporation."

Of course, an increase of the capital stock of a bank is a fundamental change in its organization, and can only be accomplished on the authority of the shareholders, in the manner provided by the statute or the bank's charter (*McNulta v. Corn Belt Bank*, 164 Ill. 427); but where all the requisite formalities are complied with, it would be perfectly legal for the bank to pay "non-resident or undesirable stockholders" their proportion of the stock dividend declared or their proportion of new stock issued to purchasers in cash instead of in stock, *provided such stockholders consented thereto, but not otherwise.*

As to the question of avoiding the entry of half shares on the books of the bank, Cook, in his work on *Corporations* (Vol. 1, Sec. 286) cites this transaction which might serve as a precedent:

In December, 1906, the Chicago, Milwaukee & St. Paul R.R. Co. in issuing new stock cut off all fractional rights. Litigation was threatened by some of the stockholders, and thereupon the company ordered the sale at public auction of a block of the unissued stock equal in par value to the par value of all the fractional shares united, and further ordered that the amount realized on such sale, after deducting the par value of the stock, be distributed in cash in lieu of the fractional shares.

PLACE OF PAYMENT OF MORTGAGE NOTE

Where a mortgage note becomes due and does not state where it is payable, the maker must seek the holder, if within the state, and make tender to him; but if the holder has removed to another state, the debtor is not obliged to follow him and readiness to pay within the state will save a forfeiture.

From Nebraska—A borrows \$5,000 of B and secures same with a mortgage on real estate. The mortgage note does not state where it is payable. B moves to another state and the mortgage becomes due. A wishes to pay it off. Is it the duty of A to locate B and remit him, or should B have the mortgage presented to A, and if so, who should pay the expense attached to the presentation? Your opinion will be valued.

It has been the rule in England for centuries, that where the place of payment is not specified, the debtor must seek his creditor, if within the "Four Seas," and make tender to him. *Shepp. Touch. Sec. 136.*

The same rule has been adopted in this country. In *Hale v. Patton*, 60 N. Y. 233, it was held: The general rule that one indebted on a money obligation is bound, if no place of payment is specified in the contract, to seek the creditor and make payment to him personally, is subject to the exception that, if the creditor is without the state when payment is to be made, the debtor is not obliged to follow him. Readiness to pay within the state will be as effectual as actual payment to save a forfeiture.

In *Weyand v. Park Terrace Co.*, 95 N. E. (N. Y.) 723, where a bond and mortgage permitted the mortgagee to elect to declare the principal due on default in paying interest, but provided no place for payment, it was held the mortgagee was not entitled to declare a forfeiture for failure of the mortgagor to tender interest at the mortgagee's place of residence in another state; the latter having no agent to whom payment could be made within the state. In the opinion in this case Chase, J., made an extended review of the authorities and said:

"The rules relating to the place where payments should be made upon contract have been established by long usage and can be stated briefly as follows:

"(1) It is a general rule that a debtor must seek his creditor to make payment of his indebtedness.

"(2) The parties to a contract may provide therein where payments thereon shall be made.

"(3) Where a contract is made outside of the state in which the promisor resides, and it does not, either by express terms or by fair inference, provide where the same is to be performed, it will be presumed that the parties intend that it shall be performed at the place where it is made, and the promisor must provide at such place to make the payments thereon.

"(4) Where a contract is made in this state either with a person then a resident of this state, who afterwards removes therefrom, or with a non-resident of this state, it is the duty of the promisee to provide a place in this state where payments can be made, and it is not necessary for the debtor to go beyond the bounds of this state to make payments thereon."

It follows in the case stated by you that A, who is indebted on the mortgage note, is not obliged to go to the state in which B, the holder of the mortgage, resides and there tender payment. It is incumbent on B at his own expense to designate an agent or provide a place within the state to receive payment.

Light from the Library

Recent Publications

FOREIGN EXCHANGE—THE FEDERAL RESERVE FOREIGN BANK. By Robert L. Owen. Published for the Author and distributed by him. Copyright, 1919. pp. 79. The purpose of this little book is to explain the problems of putting the American dollar at par in foreign exchange; to show the factors entering into it; to show the remedy and point the path and mechanism by which to maintain the American dollar at par, and make it the medium of international exchange and of international contracts. The causes and effects of the recent depreciation of the American dollar in Spain are set forth in detail. The author explains as follows:

The United States had loaned to her Allies \$2,000,000,000 more than the favorable "trade balance" of the United States, and these loans in terms of dollars had been used by our Allies to settle their debts with Spain, as an international commodity trade creditor to an approximate amount of over \$100,000,000 in value, who did not need these dollars, or pounds of sterling, or francs. The Spanish banks did place substantial balances in Paris, London and New York, but there was still due to Spain for commodities a large amount which had to be settled in some way. Great Britain, France and the United States had an embargo on gold and we could not settle these balances by gold because of the gold embargo. If we had settled the balances in gold the dollar would have gone to par and so would have the pound sterling and the French franc, but we were compelled, because gold was not available, to borrow this money from Spain in some form or other, and it was borrowed in some form or other from Spanish merchants, business men, and Spanish banks in many ways, but those who borrowed the pesetas from Spain, or those who loaned our people the pesetas in Spain, sold those pesetas to the citizens of the United States at a tremendous price. The credit extended is taking advantage of war conditions to extort an unendurable price for the use of this Spanish credit during the war, and fully justifies adequate steps being taken to correct it.

There are also interesting chapters on dollar credits in Italy and Argentina. The remainder of the booklet deals with the proposition of creating a Federal Reserve Foreign Bank of the United States under the supervision of the Federal Reserve Board, the most important functions of which are summarized by the author as follows:

Such a bank could not only bring the American dollar to par, but, what is more important, could fix the American dollar at commercial par and maintain it there as a standard measure of value for international contracts throughout the whole world. Unless this is done America cannot become the financial center of the world.

Unless this is done the gigantic mercantile marine, which America is now building at great cost, will not be adequately served and supplied with the export and import business necessary to maintain these ships under the American flag.

Such a bank publicly controlled is the mechanism through which international exchange can be stabilized, the American dollar maintained at par, American commerce furnished with credit facilities and adequately promoted throughout the world. It is the one thing needed to perfect the Federal Reserve System of the United States, now acknowledged by the banks themselves as enabling them to serve their customers as never before, enabling them to conduct their business with a sense of security they never felt before and enabling them to make better returns upon their capital than ever before.

THE FEDERAL RESERVE ACT—ITS ORIGIN AND PRINCIPLES. By Robert L. Owen. Published for the Author and distributed by him. Copyright, 1919. Pp.

107. This short sketch of the origin and principles of the Federal Reserve Act was written by the Senior Senator of Oklahoma as a personal reminiscence. He states that the backbone of the Federal Reserve Act is:

1. A quick available supply of elastic currency for business men;
2. Issued and controlled by the government;
3. Against adequate security, consisting of gold, commodity or commercial bills, or acceptances and U. S. bonds;
4. Under an interest charge high enough to prevent inflation by compelling contraction.

We have here a summary of events and developments relating to the currency question in the United States since the panic of 1893 culminating in the adoption of the Federal Reserve Act. In 1898 Senator Owen went to Europe to study the methods of preventing panics in Great Britain, France and Germany, followed by the examination of conditions in Canada. As a result, in 1899, a remedy for panics was suggested for the United States. Since this recommendation was made the principles then proposed by Senator Owen were adopted by the United States as follows:

First, The Postal Savings Banks have been established to absorb the deposits of timid depositors. Act of June 25, 1910.

Second, The Aldrich-Vreeland Bill (May 30, 1908), recognizing the principle of

- (a) Issuing bank notes,
- (b) At interest,
- (c) Against adequate securities, although with most serious obstacles, placed in the way of getting the currency.

Third, The Federal Reserve Act of December 23, 1913, was passed, having been engineered through the United States Senate under my management as Chairman of the Committee on Banking and Currency, perfected these principles by providing

- (1) A quick supply of Treasury Federal Reserve Notes (money);
- (2) Issued and controlled by the government;
- (3) Against adequate security, including commodity bills;
- (4) Under an interest charge to prevent inflation; and
- (5) Making these notes (money) easily available at any time or place in the United States where a business man fairly entitled to credit wanted currency.

United States bonds may be used now as a basis of issuing Federal reserve notes, under an interest charged fixed by the authorities of the United States.

This in effect puts behind the individual credit of the farmer, merchant, manufacturer, shipper and business man the credit of the United States, and furnishes him with elastic currency whose validity cannot be questioned, in exchange for his own notes, enabling him to meet his current obligations without difficulty and providing an ever-present supply of sound currency for business needs.

Except for this act the United States could not have adequately financed the war, and the government of the United States would have faced a serious panic at the beginning of the war.

THE CONFLICT OF LAWS RELATING TO BILLS AND NOTES.—PRECEDED BY A COMPARATIVE STUDY OF THE LAW OF BILLS AND NOTES. By Ernest G. Lorenzen. New Haven: Yale University Press. 1919. Pp. 337. This is a carefully arranged comparison of the Anglo-American law of bills and notes with the provisions adopted by the convention of The Hague of 1912 as referring to foreign countries. It proceeds to a tabulation of the conflict of laws relating to bills and notes

in force in England and the United States, as well as in other European and South American countries and Japan. The appendix contains the American Uniform Negotiable Instruments Act, the English Bills of Exchange Act, the Convention of The Hague, and the Uniform Law adopted at The Hague, the two latter appearing both in the original and in an English translation. Comparative tables of sections and articles of the various acts are also to be found in the appendix. This volume will be of value to any institution having any business relations with the countries in question.

THE BANKER'S CREDIT MANUAL. By Alexander Wall. Indianapolis: Bobbs-Merrill Company. Copyright, 1919. Pp. 247. The book contains a complete survey of the credit department, its obligations and opportunities. It gives directions as to the best methods of systematizing the work, stabilizing operations and facilitating investigations. According to the author, the book is primarily not meant for the more mature minds in the field of bank credit, except some chapters, but is more widely meant for younger men, assistants who are possessed of sufficient zeal to study the technique of bank credits so that they may more readily achieve judgment and credit knowledge. A brief examination of the book suffices to show that the author has given to the reader only so much sure theory as was absolutely necessary, and has devoted the greater part of his pages to practical instruction. A number of forms are presented, some of which are reproductions of those already in use, and others are adaptations and combinations of these in the way of useful suggestions.

THE MINERAL INDUSTRIES OF THE UNITED STATES—THE ENERGY RESOURCES OF THE UNITED STATES: A FIELD FOR RECONSTRUCTION. By Chester G. Gilbert and Joseph E. Pogue. Smithsonian Institution, United States National Museum. Bulletin 102, Vol. 1. Washington: Government Printing Office. 1919. Pp. 162. This publication is designed to present a constructive analysis of the energy situation in the United States. Because it seems inevitable that sooner or later the energy resources of the United States must be employed more systematically and effectively than they have been in the past, this study has been made with a view toward setting forth a working plan for bettering the situation. The country, as stated by the authors, has within its reach the means for effecting a savings in the matter of its energy supply of well over a \$1,000,000,000 a year. Coal, oil and water power are the principal sources of energy in the United States. Each source of energy is discussed by itself with numerous tables, charts and illustrations. Among the facts of interest we note that "700,000,000 tons of coal, 350,000,000 barrels of petroleum and 6,000,000 horsepower of hydro-electricity represent the annual numerical measure of the field; over a third of the freight of the country is coal; the smoke and grime of cities is unburnt fuel; more than a 1,000,000 men are engaged in the mining of coal and oil alone. Only a small fraction of the water-power resources of the country is developed." The employment of the energy resources involves three progressive stages—production, transportation and utilization. Coal, oil and water power are examined in turn in respect to their status under each of these heads.

Answers to Correspondents

CROP VALUES. (Inquiry from Wisconsin.) "Are there any statistics published which show the crop values of the various states?" Answer: The Bureau of Publicity of the Omaha Chamber of Commerce has compiled a table showing the average annual value of all crops in each state of the Union during the seven-year period from 1912 to 1918, inclusive.

| Rank and State. | Average Annual Crop Values. |
|---------------------------|-----------------------------|
| 1—Texas | \$568,795,000 |
| 2—Illinois | 514,180,000 |
| 3—Iowa | 502,776,000 |
| 4—Georgia | 351,860,000 |
| 5—Ohio | 334,558,000 |
| 6—Missouri | 312,189,000 |
| 7—New York | 308,968,000 |
| 8—Minnesota | 307,538,000 |
| 9—Nebraska | 304,641,000 |
| 10—Indiana | 303,559,000 |
| 11—Kansas | 298,926,000 |
| 12—Pennsylvania | 294,972,000 |
| 13—North Carolina | 288,384,000 |
| 14—California | 268,231,000 |
| 15—Wisconsin | 251,425,000 |
| 16—Michigan | 237,461,000 |
| 17—South Carolina | 237,429,000 |
| 18—Mississippi | 226,443,000 |
| 19—Alabama | 219,332,000 |
| 20—Kentucky | 218,428,000 |
| 21—Arkansas | 214,904,000 |
| 22—South Dakota | 214,031,000 |
| 23—Oklahoma | 209,545,000 |
| 24—North Dakota | 203,385,000 |
| 25—Tennessee | 200,521,000 |
| 26—Virginia | 193,579,000 |
| 27—Louisiana | 171,092,000 |
| 28—Washington | 109,381,000 |
| 29—Colorado | 100,193,000 |
| 30—Montana | 90,336,000 |
| 31—West Virginia | 86,026,000 |
| 32—Oregon | 84,539,000 |
| 33—Maryland | 78,408,000 |
| 34—New Jersey | 71,282,000 |
| 35—Idaho | 64,854,000 |
| 36—Maine | 63,840,000 |
| 37—Florida | 62,766,000 |
| 38—Massachusetts | 51,274,000 |
| 39—Vermont | 40,992,000 |
| 40—Connecticut | 40,126,000 |
| 41—Utah | 35,933,000 |
| 42—Wyoming | 33,595,000 |
| 43—New Hampshire | 23,372,000 |
| 44—New Mexico | 22,923,000 |
| 45—Arizona | 19,166,000 |
| 46—Nevada | 17,274,000 |
| 47—Delaware | 17,033,000 |
| 48—Rhode Island | 5,818,000 |
| Total United States | \$8,876,286,000 |

BIRTH RATE IN GERMANY. (Inquiry from New Jersey.) During the war the birth rate in Germany decreased 4,093,000 and 2,555,000 in Prussia.

SCRIP. (Inquiry from Alabama.) "What is scrip, when is it issued and for what purpose?" Answer: Usually the term is applied to a certificate for a fraction of a share of stock and usually, also, scrip is convertible into shares when presented in amounts equal to the face value of a full share. It has no voting or dividend rights until converted into full shares of stock, although sometimes interest is paid on it. Scrip was also the name given to United States paper currency of denominations less than \$1 which is no longer

issued; such money was commonly called shinplasters. In Great Britain it is the practice to issue scrip to represent instalments paid on subscriptions for stock; when all instalments are paid the scrip is exchanged for stock certificates.

INDIVIDUAL BANK DEPOSITS. (Inquiry from Pennsylvania.) "Have you on file statistics, of the latest available date, on individual deposits in all banks of the country?" Answer: According to the Comptroller of the Currency, individual deposits in all reporting (27,923) banks in June, 1917, aggregated \$26,289,708,159.14, and on June 29, 1918, 28,880 banks reported \$27,808,472,756.43; making an increase during the current year of \$1,518,764,597.29 or 5.78 per cent. On June 29, 1918, individual deposits subject to check without notice aggregate \$12,116,364,158.60; demand certificates of deposit \$571,831,500.03; certified checks and cashiers' checks \$207,907,124.17; savings deposits \$7,727,007,971.21; time certificates of deposit \$2,125,454,150.06; and deposits not classified \$5,059,907,852.36.

COUNTRY'S 100 BIGGEST BANKS. (Inquiry from Arkansas.) "Is there any compilation showing the location by cities of the country's 100 biggest banks?" Answer: Recent returns to the Comptroller of the Currency show that the 100 biggest banks are distributed all over the country and not concentrated as formerly in the East. Ten of them are on the Pacific Coast, 51 of them are in the Middle States, the West and the South, while 94 are in New England and the Eastern states. The 100 largest national banks are distributed among 34 different cities in 24 different states and the District of Columbia.

FEDERAL AND JOINT STOCK LAND BANK BONDS. (Inquiry from South Carolina.) "It would be of interest to me to have explained the difference between the two varieties of 'land' bonds which are being offered?" Answer: There are two kinds of land banks created under United States laws. One kind is known as the Federal land bank; the other as the joint stock land bank. The former type of bank is created by the Federal Farm Loan Board, a government party in the first instance. Eventually its stock, now owned largely by United States, will be owned by local associations of borrowers. The joint stock land bank is owned by private individuals, who organize under the Federal Farm Loan Act and they are subject to considerable oversight on the part of the Federal Farm Loan Board, although to a less degree than the Federal land banks. Both classes of land banks issue bonds, which are secured by mortgage loans made to farmers, deposited as collateral behind the bonds. There is some question as to the constitutional validity of the tax exemption feature of Federal farm loan bonds. It may be that the United States Supreme Court will overthrow this feature of the law, in which event they would decline in value. Today they are selling well above par, because they are as free from taxes as the first issue of Liberty bonds. This has caused them to sell at very high figures. All of the twelve Federal land banks are jointly and severally liable for the bonds of each bank. The bonds put out by the joint stock land banks are secured only by the mortgages deposited behind them and by the bank's own capital. Their complete exemption from

all taxation has given them a high value. They are subject, of course, to whatever decision the United States Supreme Court may render as to the constitutionality of this feature. Joint stock land banks cannot put out an aggregate of bonds in excess of 15 times their respective capital stocks; they are to be examined by examiners, twice a year, sent out by the Federal Farm Loan Board, and they are restricted in loans to the state where the bank is located and one contiguous state. Moreover, the value of the mortgages behind the bonds is set by an appraiser from the Federal Farm Loan Board.

CROP ESTIMATING. (Inquiry from Iowa.) "How does the Bureau of Crop Estimates arrive at its figures or on what are its reports based?" Answer: A recent article in the *New York Times* describes the method as follows:

The work of crop estimating is very much akin to that of the life insurance actuary. Given a certain number of healthy human beings ranging through a series of ages, he knows by averages based upon years of observation that on a certain date a certain number of them will be dead. Then by allowing for world calamities, widespread epidemics, and a factor of safety, he knows almost to the cent how much the insurance company must receive from each individual to insure that by investing it the company will be able to pay the heirs of each a certain sum at death. There is no guesswork about it and little hazard.

So the crop estimator, given a certain number of acres planted, and an average season as to meteorological conditions, blights, bugs and pests, knows what the harvest should be. Then from month to month he learns whether growing conditions are above or below the average and in what percentage and is able to tell what the harvest probably will be.

Crop reports are sometimes called guesses, because they are based upon estimates instead of actual measurements. Of course, such estimates are not haphazard guesses; that is, no one would likely estimate the yield of corn at 100 bushels per acre when it is actually only fifteen bushels, nor estimate the yield at fifteen bushels when it is actually 100 bushels. Nevertheless, nearly every individual estimate has an element of error. Combination of individual estimates into a general average tends to reduce the error in the average. The manner and extent to which this is done may be of interest to those whose prosperity depends upon accuracy, but who may not understand fully the effect of combining the estimates of many individuals and thus securing an accurate average.

For the purpose of analysis or study, any error in an individual estimate may be considered as made up of two parts, namely, that part which is due to chance and that part which is due to bias.

A reporter once told the Department of Agriculture that his father could go through an orchard and estimate its production more closely than any other person in his section, but that he (the reporter) could make a better estimate than his father, after he knew his father's estimate, because he had observed that, although his father made a close estimate, it usually fell under rather than over the final outcome; therefore, by making allowance for this tendency, he could use his father's estimate to make a still closer one.

A bias in an estimate is that part of the error that tends to make it lean more on one side of the actual truth than on the other. The chance error is that part that is equally likely to be above as below the truth.

The chance error in an average of a number of individual estimates tends to decrease as the number of estimates included in the average increases. Suppose any one man's estimate is taken; so far as there is no bias, his estimate is just as likely to be too high as too low or vice versa. Suppose we get an estimate from two men; both may be too high, or both may be too low, or the first may be too high and the second too low; or the first may be too low and the second too high. Observe that there are four possible arrangements. There is one chance in four that both will be too high and one chance in four that both estimates will be too low, but two chances in four, that is, an even chance, that one estimate will be too high and the other too low, thus offsetting each

other. If estimates from four men are taken, there will be sixteen possible arrangements, and there will be only one chance in sixteen that all will be too low, but six chances in the sixteen that there will be two overestimates offsetting two underestimates. And thus, as the number of estimates taken increases, the chance errors tend to neutralize or offset each other. If only fifty random estimates are obtained and averaged, the probability that all the chance errors will be on the same side (that is, overestimates or underestimates) will be only one chance out of 562,949,953,421,312.

Books Recommended

The books contained in the following list are recommended for bank libraries and individual reading. If such books cannot be obtained through local dealers they will be furnished by the Library of the American Bankers Association at the prices indicated, which include wrapping and transportation. Checks should accompany orders.

A B C OF THE FEDERAL RESERVE SYSTEM. By E. W. Kemmerer. Price, \$1.65.

CREDIT AND ITS USES. By W. A. Prendergast. Price, \$2.15.

COMMERCIAL GEOGRAPHY. By C. C. Adams. Price, \$1.65.

FOREIGN EXCHANGE EXPLAINED. By Franklin Escher. Price, \$1.40.

FINANCIAL HISTORY OF THE UNITED STATES. By D. R. Dewey. Price, \$2.70.

FUNDS AND THEIR USES. By F. A. Cleveland. Price, \$2.

MONEY AND BANKING. By J. T. Holdsworth. Price, \$2.65.

RURAL CREDITS. By Myron T. Herrick. Price, \$2.65.

PRINCIPLES OF BOND INVESTMENT. By Lawrence Chamberlain. Price, \$5.20.

PRINCIPLES OF ECONOMICS. By Henry S. Seager. Price, \$2.65.

BUSINESS OF THE HOUSEHOLD. By C. W. Taber. Price, \$2.20.

MODERN TRUST COMPANY; ITS FUNCTIONS AND ORGANIZATION. By F. B. Kirkbride and J. E. Sterrett. Price, \$2.70.

THEORY AND HISTORY OF BANKING. By C. F. Dunbar. Enlarged by Oliver M. W. Sprague. Price, \$1.65.

ORGANIZED BANKING. By E. E. Agger. Price, \$3.20.

PHYSICAL CULTURE. In the form of an illustrated poster the Library of the American Bankers Association provides a series of "Everyday Exercises for Everybody," designed not to make athletes, but simply to develop the fundamental functions of respiration, digestion and elimination. Price, 50 cents.

FEDERAL FARM LOAN SYSTEM. By Herbert Myrick. Price, \$1.15.

NEW YORK STOCK EXCHANGE. By H. S. Martin. Price, \$1.10.

BANK LAW AND TAXATION DIGEST. By Milton W. Harrison. Price, \$2.50.

The foregoing list will be gradually extended as circumstances may seem to warrant.

Pamphlets and Papers

Upon application to the Library any of the following pamphlets and papers will be sent without charge to members of the American Bankers Association and need not be returned:

PAMPHLETS

"Our Public Debt." By Harvey H. Fisk. Reviewed in June JOURNAL.

"The Menace of Paternalism." By Otto H. Kahn.

"Government Ownership of Railroads." By Otto H. Kahn.

"Foreign Investments in Their Relation to the Future of This Country." By Fred I. Kent.

"Domestic Exchange, a Study of the Out-of-Town Check Question from Different Angles." By Robert D. Kent.

"Experiences of an Executor." By William McChesney Martin.

"Victory and Other Liberty Loan Acts, with Excerpts from Other Acts of Congress Concerning the Public Debt." By Bankers Trust Company, New York.

"Canada, Economic Position and Plans for Development." By Guaranty Trust Company.

"How Business with Foreign Countries is Financed." By Guaranty Trust Company.

"Safe Keeping of Securities." By Guaranty Trust Company.

"Shipping's Share in Foreign Trade." By Guaranty Trust Company.

"Trading with the Far East." By Irving National Bank.

"The World's War Debt." By Mechanics and Metals National Bank.

"Review of the Economic and Industrial Development of the United States from 1790 to 1918." By Imbrie & Co.

"Joint Stock Land Bank Bonds, Instrumentalities of the United States Government." By Kiely and Horton, New York.

"Federal Revenue and Income Tax Act, 1918."

"Federal Reserve Act."

"Federal Farm Loans."

"Acceptances."

"Credit Statements."

"Bank Cost Accounting."

"Credit Unions."

PAPERS

"Custody of Securities."

"Discount Houses and Bill Brokers."

"Interior Proving Methods."

"New Business Methods."

"Personal Solicitation of Accounts."

"Profit Sharing and Pension Funds."

"Savings Plans and Clubs in Industrial Corporations."

Mortuary Record of Association Members

REPORTED FROM MAY 25 TO JUNE 25, 1919

Bennett, E. A., assistant cashier American Exchange National Bank, New York, N. Y.

Brooke, Charles F., vice-president Eaton National Bank, Eaton, Ohio.

Burgess, Edward G., director Bank of Montclair, Montclair, N. J.

Davidson, Wm. B., cashier United States Bank, Hartford, Conn.

Dunn, John A., president Gardner Trust Co., Gardner, Mass.

Eisman, Michael H., president First National Bank, Susquehanna, Pa.

Flesh, Henry, president Citizens National Bank, Piqua, Ohio.

Furst, Paul, cashier First National Bank, San Jose, Cal.

Heinemann, Benjamin, president American National Bank, Wausau, Wis.

Lang, M. B., president Elk Rapids State Bank, Elk Rapids, Mich.

Lowell, A. C., president Bank of Fort Bidwell, Fort Bidwell, Cal.

McDonald, Edward, president Lenox National Bank, Lenox, Mass.

Miller, Ernest, cashier National Bank of Coxsackie, Coxsackie, N. Y.

Mulligan, Eugene Worth, cashier Second National Bank, Wilkes-Barre, Pa.

Sebring, John, president West Michigan Savings Bank, Bangor, Mich.

Sterling, Asa, president First National Bank, Greeley, Colo.

Weidman, John S., president Isabella County State Bank, Mt. Pleasant, Mich.

Trust Company Section

Trust Work in California

From every point of view the third annual meeting of the Trust Company Section of the California Bankers Association was a pronounced success. In order to show the wide scope of usefulness being filled by these sections we present herewith a few extracts from the annual address of L. H. Roseberry, Chairman Trust Company Section, California Bankers Association, and trust attorney, Security Trust & Savings Bank, Los Angeles, Cal., delivered at Catalina Island, June 5:

"The work of our Committee on Standardization of Trust Forms must receive special mention. Theirs was no simple task. Over ten separate specimen trust instruments were prepared with over twenty-five miscellaneous clauses relating to the varied trust activities which must be considered in the inception and execution of trust business. The task of compiling adjudicated and seasoned forms of the varied and complicated character indicated in this set was too huge to be finished at one undertaking. It is reasonable to expect that some of them must later be explained, enlarged, completed or re-edited.

"A very promising beginning has been made in supplying trust men with practicable, workable and reasonably seasoned and legal trust forms of a kind, diversity and amount which is not obtainable from any other known source. They are not intended to supplant the services of an attorney in the preparation of trust indentures or the necessary guidance of reliable legal counsel. Their sole purpose is to supply trust companies with specimen forms to be furnished various attorneys who are preparing legal instruments affecting the duties and liabilities of trust companies, to check against hastily or craftily written documents and for use in the internal administrative affairs of the trust companies themselves. By their intelligent use they cannot and will not be objectionable to the bar of the state, but, on the contrary, will be welcomed as further evidence of the helpful contributions by trust companies towards the simplification and protection of fiduciary relationships.

"It has cost a tidy sum to prepare, systematize, publish and distribute our series of Standardized Trust Forms and Clauses. This has been the most expensive work we have yet undertaken. Yet I confidently believe it will produce most helpful results to our membership.

"Like the constant dripping of water upon the stone, we have been gradually, yet successfully, attaining the goal of our legislation. With the enactment of one or two more important bills of far more interest to the public at large than the business of trust companies, we will have in effect completed our legislative plans.

"One of the most interesting and I dare say helpful outgrowths from our association has been the interchange of ideas, systems and visitations amongst our membership. Your chairman has noted with pleasure and surprise the frankness and frequency with

which one trust officer has inquired of another for some special form or clause relating to a proposed trust, information on the special practice or charges by a neighboring and perhaps older trust company in reference to some unusual business, a good employee to fill a vacancy, or information on the administrative system, forms or practice in handling fiduciary business; in short, a splendid spirit of willingness, if not eagerness, to interchange ideas, experience, forms, business methods and practices amongst our membership. What a source of mutual help is such a system!

"Our real constructive accomplishments during the past two years have constituted both a surprise and an inspiration to trust company associations all over this country. Your chairman has been repeatedly advised by leading officials of the Trust Company Section of the American Bankers Association that our organization has set a national pace and proven beyond question that a live organization, if rightly and energetically directed, can be of inestimable value to its membership. Our successful solution of the often tackled problem of standardizing trust company charges has brought us wide-spread praise and revived a like effort on the part of the national body which is now well on the road to successful consummation.

"The tactful and successful manner in which we handled a delicate controversy with the California bar on the question of trust company publicity, the drawing of wills and declarations of trust, appearances in court by regularly employed trust counsel and similar matters, formed a distinct and concrete precedent for a similar move, just recently completed by the Trust Company Section of the American Bankers Association through its Committee on Co-operation with the Bar. This committee, while reporting upon the subject more exhaustively than our own committee, nevertheless followed closely the methods of our survey, were guided quite largely by our own experiences and made almost the identical recommendation for avoiding further friction, and harmonizing with the lawyers.

"The product just produced by our Committee on Standardization of Trust Forms will doubtless be studied carefully by the national and various state trust company organizations with a view of duplication. In the past, trust men have been prone to dismiss these things lightly as being incapable of constructive accomplishment, but we in California have definitely established the contrary. In a sense we may feel proud of the fact that we have been so successfully pioneering in trust company service. This is not a foolish pride nor a boastful claim that we have done anything absolutely new or perfect, for we well realize our efforts are mere beginnings with many shortcomings and probable disappointments. But we have made a real and an encouraging start, even better than we originally hoped.

"A trust company is essentially, if not wholly, a business organization. Its only product for sale is service. We cannot either deliver a perfect product or economize in its production unless we simplify the instruments of production. We should undertake this

coming year an intelligent survey of the proper organization and departmentalization of trust company activities. There should be no overlapping of functions and resultant loss of energy, time and efficiency. The installation of proper bookkeeping methods, card index systems, reports, segregations of duties and fixing of responsibilities should be undertaken. A profitable and helpful field for the administrative officers of trust companies lies in this direction. One of the most common and ever-present problems in a modern trust company is this one of internal organization and systematization.

"Almost every industrial, financial, commercial, political and even religious institution in this and all other civilized countries have been shocked to their very foundation through the events of the past few years. The American trust companies have probably withstood the impact as well as any other business entity. In the face of a maze of bewildering, entangling and adverse legislation they have continued a rapid growth until at present the total investments in these companies in America are \$1,300,000,000, and their total resources approximately \$9,400,000,000. The amount of property entrusted to their care cannot even be approximated, but, if known, would be enormous. Trust companies are public service institutions of the highest possible type. They handle the property of others (mostly dependent persons) exclusively. Their relationships are largely confidential, and in many cases semi or wholly charitable. In a sense, they are administering a public function, and well may we be proud of their record. There have been so few failures amongst the American trust companies as to be practically negligible. Can any other business institution show an equal record? More and more are the American public becoming dependent upon them for the fulfilment of fiduciary service. They have found a permanent place in the hearts of our people. They are entitled to every protection which the law can afford them, and every safeguard which public opinion and approval can erect about them. Contrary to the contentions of a few, they are not money-making institutions; but few of such corporations have, through their years of tireless effort and investment of their capital, attained the place where they could yield a modest dividend for their stockholders. It is a fair prophecy that a majority of the American trust companies have not yet reached a paying basis. Yet this is in no sense a discouraging outlook. The process of formulating public opinion in favor of trust company service, although slow, has been sure, until now it has attained a momentum that will surely establish them as the permanent fiduciary agency for our people. Protective rather than destructive laws must soon encompass us. Then public approval and support will come unsolicited and a reasonable reward for a faithful service, well formed, will be our just due."

New York Trust Company Section

The second annual convention of the Trust Company Section of the New York State Bankers Association was held on Thursday, June 12, in the Hotel Ten Eyck, Albany, N. Y. The Trust Company Sec-

tion was organized in Atlantic City at the 1918 convention of the New York State Bankers Association. President Chas. H. Bissikummer, in reporting the activities of the Section for the past year, said in part:

"There has been some anxiety expressed as to whether this new section of ours might not interfere with the activities of the Trust Company Association of the State of New York, which has been doing excellent work, especially in looking after legislative matters affecting trust company functions. There need be no fear on anyone's part, as it is the intention of this section to work in full co-operation with them for the mutual benefit of all. As a frequent attendant at legislative hearings at Albany, I regret to state that trust companies were not represented as strongly as they should have been and lacked sufficient interest in the fate of bills that were of vital importance to trust companies. I believe that there should be a closer co-operation between trust companies from the standpoint of attendance in annual conventions and discussing matters.

"The committee, consisting of Mr. W. E. McHarg, Mr. L. D. Holmes and Mr. P. W. Shepard, appointed to confer with the Superintendent of Banks regarding the advisability of enacting legislation for the purpose of allowing state banks and trust companies who join the Federal reserve system to reduce their required reserve from 10 to 7 per cent., through its chairman, Mr. McHarg, handled this subject very efficiently, with the result that proper legislation was provided with the approval of the State Superintendent of Banks, by the passage of a bill carrying out these recommendations, which has now become a law by the signature of the Governor."

President Bissikummer reported trust companies as having had a wonderful growth. The resources of state banks and trust companies increased from \$15,065,300,000 reported in June, 1915, to \$20,536,300,000 in June, 1918.

Francis H. Sisson, vice-president of the Guaranty Trust Company of New York, addressed the Trust Company Section of the New York State Bankers Association on the opportunities for developing our future banking system. Mr. Sisson's address was entitled, "The Open Doors to Opportunity." He said, in part:

"The trust companies have it within their power not only to develop their business functions along broader lines of usefulness than ever before, but also to become a most important factor in advancing the social welfare of the nation—which, indirectly and ultimately, will exert its beneficent influence upon all other nations. The opportunity of the trust companies lies in their especial facilities for effecting a more scientific and systematic husbandry and distribution of our colossal wealth. The war was largely responsible for the better appreciation which prevails today of the relation of these two factors to our national and individual welfare.

"From now on, bank and trust company officials must recognize a new duty, namely, that of acquiring more thorough knowledge of fundamental and worldwide economic conditions, not only that they may conduct their businesses with broader vision and deeper understanding, but also that they may help disseminate

such knowledge and enlighten the public as to the part which such factors play in our every-day life.

"The study of economics, indeed, is daily becoming more necessary to successful banking and trust company service, which no longer consist merely of financial transactions. In order completely to discharge their obligations to the public, our financial institutions must realize that they are operating in a new environment, under distinctly new conditions, with enlarged potentialities, and against a bigger background than ever before.

"In the standardizing of legal instruments and charges for trust company services there is need for legislative action in various states. Although a unification of charges for trust company services cannot be made to govern all parts of the country, as the large volume of trust business in the East necessitates smaller fees and the smaller trust business in the less developed West requires larger fees in order to place the business on a paying basis, there would be decided advantage to the trust companies and the public in a standardization of such charges wherever feasible.

"There is developing a closer co-operation of trust companies with the legal profession, and this should be encouraged and extended to their mutual benefit.

"While it is not ethical for the legal profession to invite business, trust companies may and do, with propriety, invite business which very materially assists in developing legal business; such, for instance, as the stimulating of the writing of wills to be drawn by lawyers, the testing of wills by lawyers, and the re-writing of thousands of old wills which, should they become operative in their original form, would be fruitful sources of litigation.

"The fact that in New York State the largest volume of litigation is that pertaining to wills, and that 82 per cent. of such litigation, based largely upon

the interpretation or construction of the instruments involved, is preventible, reveals the necessity for constructive work along this line.

"When an estate is dissipated the beneficiaries frequently become dependents, and, therefore, economic burdens. The proper conservation of a small estate for a widow and children may secure her economic independence and provide the means for educating her children; whereas, if the estate is not adequately conserved and administered the widow may be forced into the ranks of the laborers and the children, uneducated, perhaps, may have to take up the burden of gaining a livelihood at a tender age.

"The incalculable value of the service which trust companies rendered in this respect during the war should go far toward promoting future business of such nature for those companies, as well as to afford invaluable aid in the conservation of personal and real property—not only for individuals, but also for the nation.

"That is one of the doors to greater service and opportunity which must be kept open and enlarged by the trust companies."

Pennsylvania

The Trust Company Section of the Pennsylvania Bankers Association held its annual convention in Scranton, Thursday, June 5. An interesting and varied program had been arranged. Grover C. Ladner, member of the Commission to Codify the Banking Laws of Pennsylvania, gave an interesting talk on the work and future of the commission. Thomas Patterson of the Alleghany County Bar, spoke on the relation between the legal fraternity and the trust companies. Hon. John S. Fisher, Commissioner of Banking for the State of Pennsylvania, also addressed the meeting.

Institute Convention at New Orleans

The Seventeenth Annual Convention of the American Institute of Banking will be held at New Orleans, October 7, 8 and 9. The convention headquarters will be located in the Grunewald Hotel.

As a vast majority of delegates usually arrive on the afternoon of the day preceding the convention, New Orleans Chapter is planning a novel get-acquainted affair to be held that evening, and perhaps it may be said that the convention will be formally opened at that time by receiving the greetings of the New Orleans Chapter. The convention will open promptly at 9.30 A. M. on October 7. Naturally the visiting delegates will be interested in knowing something of the commercial geography of the convention

city. Aside from its study courses, one educational facility that the Institute offers through its annual meetings is that of the opportunity to see and receive first-hand information in regard to the varied resources of our country. Banking is an antidote for provincialism. The true banker keeps a keen watch upon the affairs of the entire world, and in a country such as ours, great in geographical survey, with its varied and seasonable demands, industries and natural resources, the Institute conventions offer a splendid opportunity for giving the bank man a more comprehensive view and understanding of general conditions as they obtain in various sections of the country.

Savings Bank Section

Federal Home Loans

On June 6, 1919, Mr. Calder introduced a bill in the Senate known as Senate Bill S-1469, proposing to establish a Federal Home Loan System. In another part of the JOURNAL this bill is described.

John J. Pulleyn, as chairman of the Committee on Amortization of Mortgage Loans, has written the following letter to the members of the Banking and Currency Committee of the Senate, which is self-explanatory:

"I desire to draw your attention to the danger which threatens the banking situation if any favorable action on Senate Bill S-1469 is taken.

"1. Federal Home Loan Banks are designed to be used only by Building and Loan Associations, form of organization to which it may not be altogether satisfactory to lend the credit of the Government.

"2. The bonds of proposed Home Loan Banks issued in the same manner as under the Federal Farm Loan System may be circulated up to twenty times capital and surplus, but while the issues of bonds are restricted to this provision, and must be secured by first twenty-year mortgages on real estate, the banks have the power on the other hand to borrow money on personal security without any restrictions. The right thus to be given the building and loan associations to indorse and guaranty mortgages and other securities to such a central institution would abolish present wise laws, limiting their debt-incurring power, and enable them to pyramid on their credit.

"3. The seriousness of this departure is that in many states these associations have side-tracked their home building function and are in fact veritable savings banks. Consequently, they ought not to incur their deposits with liabilities, or if they do so and obtain funds in the open market, they ought not to be exempted from taxes.

"4. The idea was evolved out of the land bank of New York, which was designed for a membership of building and loan associations and which issued \$150,000 worth of bonds several years ago and there ended its activities. The bonds are held by a trust company in New York state. Why build another expensive bureau in Washington when the experiment has already been made and proved a failure?

"5. It seems manifestly inconsistent to establish a permanent system for a temporary need for funds. The argument of some building and loan association people is that they need financial rehabilitation as the result of heavy withdrawals during the war. Has not every banking institution as well as every part of our economic fabric felt in some measure the results of the war?

"6. Building and loan associations are not unanimously in favor of the plan. A canvas was made of the situation and the return was 550 associations in favor, 114 in opposition, and 562 neutral; and there are 7,260 building and loan associations in the United States.

"7. The Department of Labor is very much inter-

ested in the establishment of this system. For several months past the department has been furthering a campaign in conjunction with the United States League of Local Building and Loan Associations to create sentiment in favor of this bill. Money was used which was appropriated by Congress to the Department of Labor to investigate the building situation.

"8. In the interests of economy on the part of the government as well as the conservation of government credit, the proposition as advanced in the bill is not favorable.

"9. Building materials would be in favor of this development in order to divert government credit in their direction. Government credit is an instrument too precious to be used promiscuously.

"10. Certain labor leaders are presumed to be in favor of this measure, but do they realize that the bill is designed to place into the hands of the wealthy more tax-exempt securities and thus divert the raising of revenue from the wealthy people to the people of small means?

"11. It must be further recognized that the more securities that are exempt of the character the bill proposes, the greater will be the adverse effect upon the market value of non-taxable securities. The housing problem may be solved in a way not quite so dangerous.

"12. There is a rider attached to the bill which proposes to amend the revenue law of 1918 to exempt the income on mortgage loans of \$40,000 or less. This rider is apparently attached to the bill in order to allay the opposition of certain powerful interests. Is the Congress going to raise future revenue adequately by continued exemptions?

"I respectfully submit these propositions for your consideration and use when the bill is considered in the committee.

"If I can be of further service in this regard, do not hesitate to call upon me."

Recent Amendment to Michigan Bank Law Relative to Savings Banks

By CHARLES P. LARNED

Vice-President American State Bank, Detroit, Mich.
(Author of the Amendment)

The law recently placed on the statute books of Michigan, enlarging the scope of operations of savings banks, had its inception in the changed conditions of finance due to the war. A brief survey of such changes as affect the savings depositor, as well as certain proposed legislation which, if enacted, will vitally affect savings banks in general, may not be amiss, before discussing the new Michigan law.

Prior to the war, the number of bond buyers in this country, outside of corporations, was a negligible quantity, considering the vast number of investors; but over twenty millions of people have purchased Liberty Bonds; and while the great bulk of this number have probably done so out of patriotic motives, it is un-

questionably true that millions of people have learned a lesson in capital investment return, which will impel them to expect and demand a higher interest return than savings banks have made heretofore. While there are, probably, many disappointed bond holders, due to the shrinkage of the market value of Liberty bonds, the intelligent ones have witnessed their bonds at the low mark and the gradual but certain rise toward par. The Victory Loan bonds, once they are established in the market at or above par, will be an alluring bait to the savings depositor looking for a higher return than current rates of interest on deposits.

Another factor to be considered is the Farm Loan five per cent. bonds, tax free even including income tax. When it is understood that these bonds represent a conservative loan on choice farm property, have back of them the resources of all farm loan banks and carry the guarantee of the United States Government, they will offer a very attractive investment.

Still another factor which will have to be reckoned with is the bond issues of the proposed Home Loan banks, the necessary legislation for the creation of which will very probably be enacted at an early session of Congress. With the building and loan associations of the country interested in the home loan banks and financed in large part by those banks, which are to be created for that very purpose, a strong and keen competitor for much of the business of savings banks will arise; and it will cut into both the mortgage loans and the savings deposits.

Furthermore, the national banks are now empowered to do not only a savings bank business, but are in a position to be a general trust business.

The report of Hon. George I. Skinner, Superintendent of Banks of the State of New York, dated December 31, 1918, discloses some highly significant facts bearing directly on this matter. The resources of the state banks had increased 47 per cent. since the last report prior to the European war; the trust companies had increased over 77 per cent., while the savings banks had increased only 13½ per cent.; demonstrating clearly that the institutions having the largest scope of activities made the greatest gains. In fact, the trust companies' gain was almost six times as great as the savings banks.

No further proof seems necessary to indicate the need for a field of greater activities of the savings banks, and out of this need, as it seemed to the writer, grew the bill introduced in the Senate of Michigan by Senator Walter J. Hayes, vice-president of the American State Bank of Detroit. This bill provides:

"That upon obtaining consent of the Commissioner of the Banking Department any savings bank may, in case its savings mortgage and bond investments exceed the requirements of section twenty-seven of this act (referring to reserve requirements), set aside a portion of its excess mortgage investments, not exceeding its capital stock, and may issue debentures or mortgage

certificates with interest payable at stated periods secured by such mortgages so set aside. The debentures or mortgage certificates so issued shall be secured by only such mortgages as are upon unencumbered, improved real estate in use for residence or farm purposes only, worth at least double the amount of the loan. The records of such mortgages, debentures, or mortgage certificates shall be kept entirely separate and apart from the other business of the bank, and such mortgages shall be held solely for the payment of such debentures or mortgage certificates, and all funds received from the sale of such debentures or mortgage certificates are to be exempt from the reserve requirements of this act; and all such debentures or mortgage certificates shall be exempt from all taxes whatsoever except inheritance taxes."

The bill as finally enacted into law is not as broad in its scope as originally drafted, inasmuch as the amount of mortgages set aside to provide for issue of debentures or mortgage certificates is limited to the amount of capital stock of the issuing bank. The position of the Banking Department of Michigan was that as the measure was a radical departure from the present scope of banking activities, some restrictions should be placed on the extent of the business done, until the operation could be tested out under the scrutiny of the Department of Banking.

But it would seem that this departure is peculiarly within the field of operations of savings banks, and that they are better fitted to handle both phases of this business than any other agency.

As to the *modus operandi*, it is unnecessary to dwell upon it here, as there are thoroughly tested methods in vogue which have been found entirely satisfactory. It might be said, however, that on long time loans with an amortization provision, debentures may be found to be quite satisfactory; while on shorter loans, participating certificates would seem to be the more desirable method.

A few words may be permitted, in closing, on an aspect of this matter which, to the writer, loomed large as a further consideration, and a very important one; namely, the need for homes for the working classes. To bring within reach of the worker of all kinds a home of his own is a matter the importance of which cannot be overestimated. Aside from all other considerations, too numerous to mention here, the changed attitude of the home buyer on all questions of economic and industrial activities is worth every effort expended in its accomplishment.

Next in importance to a satisfactory solution of the points of divergence between employer and employee is the owning of his home by the American worker; for once that home is established, all the isms that are striving to rend asunder the instrumentalities of law, order and progress will have but an academic interest.

National Bank Section

NEARLY EIGHT THOUSAND NATIONAL BANKS

Between January 1 and June 7, applications were made to the Comptroller of the Currency from forty-one of the forty-eight states for charters for new national banks or for permission to increase capital. The total number of applications pending June 7 was 439. A statement issued by the Comptroller gives the following information:

Since January 1, 1919, there have been received 312 requests for new charters and applications approved for permission to increase the capital of the existing national banks. These applications came from the following forty-one states:

Maine, 2; Massachusetts, 9; Connecticut, 1; New York, 19; New Jersey, 9; Pennsylvania, 22; Maryland, 1; Virginia, 12; West Virginia, 3; North Carolina, 10; South Carolina, 3; Florida, 2; Alabama, 2; Louisiana, 1; Texas, 31; Arkansas, 8; Kentucky, 4; Tennessee, 1; Ohio, 7; Indiana, 7; Illinois, 10; Michigan, 5; Wisconsin, 9; Minnesota, 12; Iowa, 5; Missouri, 7; North Dakota, 9; South Dakota, 7; Nebraska, 2; Kansas, 13; Montana, 14; Wyoming, 5; Colorado, 2; New Mexico, 7; Oklahoma, 17; Washington, 2; Oregon, 1; California, 20; Idaho, 8; Utah, 1; Arizona, 2.

The aggregate amount of the capital of the new banks for which charters were asked and the increases in capital approved for this period was \$29,033,000.

Applications for eighty-three new charters were granted, with capital of \$5,715,000, and 138 applications for capital increases amounting to \$13,108,000 were approved—the total new capital aggregating \$18,823,000.

There have been during the past five months only three reductions of capital, amounting in the aggregate to \$60,000. The total number of national banks going into voluntary liquidation in this period (exclusive of those consolidating with other national banks) was forty—their aggregate capital being \$11,700,000.

On June 1, 1919, there were pending and awaiting the Comptroller's action 201 applications for new charters, including fifty-six requests from state banks desiring to nationalize, and there were also on hand awaiting action 238 applications from national banks desiring to increase their capital.

Four applications for charters for new national banks were refused in the past five months.

On June 1, 1919, there were 7,803 national banks in operation—the largest number ever reported, and their resources at the time of the last call, May 10, 1919, were several hundred million dollars ahead of the greatest ever shown at any call; but the final compilation of the returns has not yet been completed.

Since January 1, 1919, there have been received nearly eight times as many applications for new charters and applications approved for increases of capital as there have been voluntary liquidations (exclusive of those consolidating with other national banks). Only one national bank has failed since January 1, 1919, and since January 1, 1918—seventeen months ago—there have been in the entire country only two small failures of national banks.

The resources of the 7,803 national banks at this time approximate \$21,000,000,000.

BY-LAWS FOR NATIONAL BANKS

So many enquiries have been received in the office of the National Bank Section regarding by-laws for national banks which are exercising trust and fiduciary powers that a letter on the subject was addressed by this office to the Federal Reserve Board, to which was received the following reply:

FEDERAL RESERVE BOARD

WASHINGTON, June 4, 1919.

DEAR SIR:

In reply to your letter of June 2d with reference to the adoption of by-laws by those national banks which are exercising fiduciary powers under the provisions of Section 11 (k) of the Federal Reserve Act, I wish to say that the Federal Reserve Board has not adopted any uniform set of by-laws for this purpose.

The difference in the laws of the various states governing the relation of fiduciary and beneficiary is so great and the difficulty incident to the exercise of trust powers varies so much in different parts of the country that the Board has felt it impracticable, if not impossible, to formulate any uniform set of by-laws for national banks which have been granted authority to exercise trust powers.

In any case where a national bank applies directly to the Federal Reserve Board for information of this character it usually suggests that the most prudent policy to be pursued by a national bank in such circumstances is to appoint an experienced trust officer who shall act under advice of a competent local attorney.

Respectfully,

(Signed) W. P. G. HARDING,
Governor.

INVEST COUPONS IN WAR SAVINGS STAMPS

The Secretary of the Treasury has sent out an urgent request that the public invest its Liberty Loan bond coupons in war savings stamps. The government's need for funds in this reconstruction period is still very great. The experience of a number of banks has been that, where they have actively pushed the sale of war savings stamps, their own savings bank deposits have increased.

ANALYSIS OF BANK ACCOUNTS

So universal, so far as banks are concerned, is the request or demand for a system which will enable moneyed institutions to analyze accounts of customers so as to determine their value or detriment to the several institutions, that the secretary of the National Bank Section has requested, and obtained, from Professor Charles C. Grove of Columbia University, whose address is 3129 Broadway, New York, the appended stimulating contribution:

No argument is required to have any banker subscribe to the statements that—

(a) Profits are not nearly so large as they once were.

(b) Costs are much higher.

(c) Economies are more necessary.

(d) Restrictions—especially upon national banks—have considerably increased.

And these accepted facts are pounding in this other fact, that some sort of intelligent analytic study is fast becoming imperative in banking.

"Yes; but it must be so simple that it almost does itself," some reply.

Sad it is, 'tis true, that we cannot determine the nature of the solution of any problem to suit our predilection. But the nature of the problem largely determines the nature of the simplest solution.

Let us look at some problems.

In your home, five pounds of butter are purchased throughout the week at a total cost of \$3.50. You at once say, "The average price is seventy cents."

But, say that you have been handed a correct record, covering a month or two, stating *for each week separately* the number of pounds of butter, of dozens of eggs, and of pounds of meat bought, and only the total amount of each week's purchases, how will you compute the most probable average price of each of the three commodities, and the amounts by which your answers may as like as not be in error?

Do you get the problem clearly? Well, then you do not expect to get the answer so simply as you did in the other case. No, 499 out of 500 of you do not attempt to attack it but throw up your hands crying, "Kamerad, I give up."

Yet, this is just the problem of distributing the overhead expense, which depends upon at least three varying factors. The proposed attack is to recognize that a simple relationship exists between the varying overhead cost and these three factors, the changing activity, the growing balances, and the increasing number of accounts; then to compute the most probable rates per activity unit per thousand average balance and per account, based on all the business of the bank concerning domestic accounts; and finally to use the same rates in the analysis of the individual account as being the most equitable average rates obtainable.

Would it be worth anything to you to know how to attack that problem? You *can* live without it. Man *can* live in ignorance and barbarism, but his economic and social value is lowered accordingly. Browning wrote, "A brute I might have been, but would not sink i' the scale."

You, sir, are not of that type, or you would not be reading this. But,

What are you going to do about it?

Besides determining costs within a measurable degree of accuracy, the same statistical data will assist in determining the variations in costs and in locating the causes as well as noting the extent to which they severally operate.

Some direct questions—nine 'pins to hang your thoughts on:

Do you know—

(1) The cost of—

1. Handling the various classes of items?
2. The several services rendered your customers?

(2) The effect upon costs of your "labor turnover"?

(3) When profitably to pay interest on deposit accounts?

(4) When and how much to increase or diminish the rates?

(5) A barometric reading of your business weather?

(6) How to form an "experience table" which will with increasing assurance enable you to *keep out* rather than "to weed out" undesirable accounts? You *do* know, however, that this would be a far pleasanter and more profitable way.

(7) That statistical cost analysis furnishes valuable incidental checks on the accuracy of various departments and operations, as for example, interest received and paid?

(8) That statistical cost analysis is chiefly useful beyond the distribution of certain expenses?

(9) That it would be a prime, a gilt-edge investment to train men to develop, adapt and pursue such studies of your business?

Do not adopt but adapt a system of analysis, remembering that the statistical method has to do with living, changing facts.

| Analysis of Account of | | |
|--|------------|-----------------------|
| Compiled by | Checked by | Date |
| | | Federal Res. Dist. \$ |
| Period of Analysis from, 19__ to, 19__ Days. | | |
| Average Daily Ledger Balance..... | | \$ |
| Less Average Daily Delayed Items..... | | \$ |
| Less Reserve and Unemployed Funds—%.... | | \$ |
| Average Loanable Funds..... | | \$ |
| Interest Terms:— | | |
| Number of Days in Period showing Net Debit Balance..... | | Days. |
| Total Net Cash Balance—Debit (Overdraft or Involuntary Loan).... | | \$ |
| " " " " Credit | | \$ |
| Less—% Reserve & Unemployed Funds.. | | \$ |
| Total Loanable Funds for one day..... | | \$ |
| To Us the Accounts..... Cost Income | | |
| Loanable Funds for one day, @—% per annum.. | | |
| Interest Paid on Credit Balances @—%..... | | |
| Interest Due on Overdrafts @—%..... | | |
| Direct Expenses:— | | |
| Activity Number, | Units @ | |
| Cash Deposited, \$ | @ | per \$1000 |
| Currency, | @ | per \$1000 |
| Special Direct Costs:— | | |
| Services: Coupon Collection, Env. @ | | |
| Credit Investigation | | |
| Pay Roll | | |
| Overhead due to— | | |
| Activity, | Units @ | |
| Average Loanable Funds, \$ | @ | |
| Flat Charge per Account per Month | | |
| Exchange:—Paid and Received..... | | |
| Totals..... | | |
| Net Cost or Income of this Account this Month.... | | |
| Remarks:— | | |

State Bank Section

The spirit of harmony that now prevails throughout the American Bankers Association promises to increase the membership and usefulness of the organization. Letters from state bankers received by C. B. Hazlewood, vice-president of the Union Trust Company of Chicago and President of the State Bank Section of the American Bankers Association, express general approval of the plan recently indorsed by the Executive Council of the Association to harmonize the differences that have heretofore existed between national banks and state chartered banking institutions. The plan thus approved includes an amendment to the constitution of the American Bankers Association providing that in the promotion of legislation of special interest the State or Federal Legislative Committee of any section may proceed independently of the State or Federal Legislative Committee of the Association, in which event the expense shall be paid by the section and the State or Federal Legislative Committee of the Association shall take no action except upon the order of the Association.

"For several years," says Mr. Hazlewood, "state banks, trust companies and savings banks have felt that national banks predominated in the Administration of the American Bankers Association and somewhat of a crisis was reached when the national banks manifested considerable activity in procuring legislation that gave them fiduciary powers.

"To meet the situation thus created, as well as to consider other matters pertaining to state banking, the State Bank Section of the American Bankers Association was formed a little less than three years ago. There was considerable sentiment among state bankers at that time, however, that the machinery of the American Bankers Association was too cumbersome to obtain desired results within that body, and the result was the organization of the United States Council of State Banking Associations. The existence of two organizations for the accomplishment of substantially the same objects and composed largely of the same membership created an impression in some quarters that state bankers were divided among themselves, and the State Bank Section since its creation has worked consistently to co-ordinate state chartered banking institutions and unify their efforts in their common welfare.

"In appreciation of the claims of state bankers the American Bankers Association amended its constitution a year ago so as to include in the membership of its Administrative Committee the President of the Trust Company, Savings Bank and State Bank Sections. It is due the national bankers in the American Bankers Association to recognize the cordial manner in which they co-operated in the plan of representation thus provided.

"The process of getting together was further promoted at the recent meeting of the Executive Council of the American Bankers Association, where a conference was held between representatives of the United States Council of State Banking Associations and representatives of the State Bank, Trust Company and Savings Bank Sections. The sentiment seemed to pre-

vail that the changes already made in the machinery of the American Bankers Association and the additional changes contemplated in the proposed constitutional amendments would make the American Bankers Association sufficiently broad and liberal to serve the interests of its constituent members with justice and equity to all concerned."

The state chartered institutions appreciate the cordial spirit of their brethren of the national persuasion in connection with the proposed changes, and the prophecy is freely made that any possible differences in the future will be forgotten in the joint welfare of all banks and the public.

FAMILY DOCTORS

State Bank Examiner George H. Van Stone of New Mexico, writes as follows: "It seems to me that the state bank examiner, either principal or deputy, should place himself in relation to the banks under his supervision in the relation of the family doctor to his patients. Not that banks are sick nor that they should be necessarily regarded as needing treatment, but with the sympathetic attitude calling for effort to maintain them in a constant state of robust health that they may fully discharge their greatly beneficial normal functions in their communities. We all know the old-fashioned 'family doctor,' who brought us into the world, watched us grow up, told us what school to go to, advised us on a thousand things, besides when to take a dose of calomel, and we all look back and say, 'God bless him.' And the bank examiner can, with full regard to the proper discharge of his duties, so act and work as to make the bankers want to say the same thing about him, instead of something that begins the same way but sounds quite differently."

FEDERAL RESERVE SYSTEM

"The strengthening of the Federal reserve system making it as soon as possible to include all banks, regardless of capitalization, would be one great legislative stroke of the Federal government, also congressional appropriations for better highways, agricultural development and vocational instruction. As to state legislation, scarcely any more is needed for the mere creation and supervision of banks, save only occasional incidental rules. It would be well, however, if all state legislatures would extend every encouragement to state banking institutions to enter and to support the Federal reserve system."

SERVICE CHARGES

"Our bank slogan is, 'Make a fair charge for any service rendered—a thing done for nothing is most frequently poorly done.' We, one of five banks in a city of 35,000, stand alone before the public in this regard, making a service charge on small unprofitable accounts and a fair charge for all services rendered. We have yet to see the error of our ways."

Clearing House Section

Exchange Problems and Country Clearing Houses

The correct relation between irregular exchange charges and unsatisfactory conditions pertaining to the check collection business is given in a careful analysis prepared for the last meeting of the Association of Reserve City Bankers. The analysis is embodied in a report submitted by the Committee on Country Clearing Houses, which advocates many of the progressive methods urged in the schedule of activities of the Clearing House Section. As the report referred to is of general interest, it is here given in full:

"In submitting certain recommendations your committee does so in the belief that too much attention may have been given in the past to the matter of exchange charges and too little to other phases of the so-called transit problem. In other words, experience with the Federal reserve collection system has demonstrated that excessive or irregular exchange charges were often the result of, rather than the cause for, many of the unsatisfactory conditions to be found in the check collection business. The solution of these conditions is not necessarily to be found in the forced parring of all checks.

"The exchange problem as between country banks and city banks has often been the outgrowth of terms based upon inaccurate and incomplete methods of calculation. Thus in their zeal to secure new business city banks have submitted propositions which not only result in unfair competition, but also encourage the country bank to raise exchange rates. It is the judgment of your committee that many of our present-day transit difficulties would disappear if the following recommendations were adopted:

"First: There should be some uniform method used throughout the United States by banks in calculating the amount of interest to be paid to their correspondents. Due allowance should be made for the time that it requires the banks to collect the items received by them from their correspondents for their credit. Under the old system before the establishing of the Federal reserve banks, it would have been well-nigh impossible to standardize on the time necessary to collect items.

"However, with the deferred credit schedule of the Federal reserve banks, it is possible for banks throughout the country to make a uniform deduction for the time required to collect items, as they can use this schedule as a basis adding to or subtracting from the time necessary according to their geographical location.

"Second: We believe that it would be desirable for some standard method to be adopted throughout the country for analyzing the accounts both of banks and individuals, and while we are not at this time prepared to recommend any special system of analysis, we feel it is advisable to suggest that the incoming transit committee be instructed to make the necessary investigation and to recommend before the next convention

or at that time a standard method of analyzing accounts.

"Of course, in making this recommendation, it would not be the idea to have the committee to be appointed recommend other than a general principle and method of analysis. We believe, however, that the consideration given this subject by the committee and its recommendation to our membership would be of value both from an educational and practical standpoint. Our membership could co-operate with the committee and we would get the best thought in America on this problem.

"We know that a number of banks do not analyze their accounts in an accurate manner and in consequence are not fully advised as to the profit or losses in accounts. This results in competition which is unscientific, and places the city banks in the position of competing on terms which, of course, result in imposition in some cases by the country banks on the city institutions, and encourage the country banker to grant unwarranted privileges to his local depositors.

"Third: We recommend that the efforts of our membership be directed to securing in their local clearing houses uniform rules governing transit matters, for at the present moment the various clearing houses throughout the country do not co-operate and in consequence have a number of rules which exist in conflict with rules in other cities near them, thus creating a condition which is not conducive to the best results for all concerned.

"Fourth: We again recommend that country clearing houses or associations be established in those centers which have sufficient business on their adjacent territory to justify the establishing of such country clearing houses.

"The Federal reserve banks through their collection system have established to a degree a zone system in the collection of checks which are collectible by way of the Federal reserve banks. The checks which are not so collectible could be collected in a similar manner by the establishment of country clearing houses.

"We realize that this is in a measure a duplication of collection agencies, but from the present outlook it will be a considerable length of time before all items are collectible at par through the Federal reserve bank.

"Wherever country clearing houses have been established, the invariable result has been a saving in time and exchange costs. Richmond, Va., for example, reports a saving in 1918 of \$131,000."

"THRIFT STATION" AT CAMP TAYLOR

The Louisville Clearing House Association has put into operation at Camp Taylor a "thrift station" for the protection of the soldiers against theft or carelessness. The station was opened June 6 and by the end of the first twelve days certificates of deposit had been issued to the soldiers for the amount of \$151,093.

State Secretaries Section

"ALL'S WELL THAT ENDS WELL"

In the last BULLETIN mention was made of a movement inaugurated at the A. B. A. Executive Council meeting whereby the work of the United States Council of State Chartered Institutions would be taken over by a conference committee of nine appointed from the three sections of the A. B. A., representing the state chartered institutions. This contemplates an amendment to the constitution, which was approved by the Executive Council, providing that in the promotion of legislation of special interest the State or Federal Legislative Committee of any section may proceed independently of the State or Federal Legislative Committee of the Association, in which event the expense shall be paid by the section and the State or Federal Legislative Committee of the Association shall take no action except upon the order of the Association.

President C. B. Hazelwood, vice-president of the Union Trust Company, Chicago, touches on this subject in a letter to the members of the State Bank Section, printed elsewhere in this issue.

TREASURY'S NEW CERTIFICATE POLICY

In response to the continuing demand for tax anticipation certificates and in order to make further provision for the payment without inconvenience of the instalment of income and profits taxes due September 15, the Secretary of the Treasury has authorized the Federal reserve banks, until further notice to issue $4\frac{1}{2}$ per cent. Treasury certificates of indebtedness of Series T-4, dated June 3, 1919, maturing September 15, 1919, at par with an adjustment of accrued interest, in exchange for Treasury certificates of indebtedness of any issue now outstanding, maturing on or after July 15, 1919,* and on or before September 9, 1919. The Treasury's present cash requirements do not necessitate the sale at this time of additional amounts of tax anticipation certificates for cash or credit, but it is hoped that the exchanges above authorized will make it possible to some extent to meet the demands of taxpayers. To the extent that such exchanges are made, the financial operations of the government during the summer will also be simplified and facilitated. In this connection it is pointed out that while it is entirely within the option of the holder to make use of any of the outstanding issues of Treasury certificates of the maturities above indicated in exchange for certificates of Series T-4, nevertheless, the convenience of banking institutions and of the Treasury will perhaps best be served by the use of certificates of the issue maturing July 29 in preference to certificates of other issues, since that maturity does not correspond to any Victory loan instalment payment date.

T. D. 2857—ORIGINAL SUBSCRIPTION TO VICTORY NOTES

For the purposes of the additional tax exemption for Liberty bonds granted by Section 2(b) of the Victory Liberty Loan Act, approved March 3, 1919,

Victory notes of either series issued upon conversion of Victory notes of the other series which were originally subscribed for by any taxpayer will be deemed to have been originally subscribed for by taxpayers.

(Signed) DANIEL C. ROPER,
Commissioner of Internal Revenue.

Approved June 7, 1919.

CARTER GLASS,
Secretary of the Treasury.

T. D. 2865—INTEREST ON VICTORY NOTES

To Collectors of Internal Revenue and others concerned:

All interest accrued on $4\frac{3}{4}$ per cent. Victory notes at the date of any conversion by the taxpayer into $3\frac{3}{4}$ per cent. Victory notes will, for the purposes of computing net income, be deemed to be interest upon $4\frac{3}{4}$ per cent. Victory notes, and will be entitled only to the exemptions from taxation to which interest on $4\frac{3}{4}$ per cent. Victory notes is entitled. Any and all amounts received by any taxpayer from the United States by way of adjustment of accrued interest upon conversion of $4\frac{3}{4}$ per cent. Victory notes into $3\frac{3}{4}$ per cent. Victory notes will be deemed to be interest upon $4\frac{3}{4}$ per cent. Victory notes.

All interest accrued on $3\frac{3}{4}$ per cent. Victory notes at the date of any conversion by the taxpayer into $4\frac{3}{4}$ per cent. Victory notes will, for the purposes of computing net income, be deemed to be interest upon $3\frac{3}{4}$ per cent. Victory notes, and will be entitled to the exemption from taxation to which interest on $3\frac{3}{4}$ per cent. notes is entitled.

DANIEL C. ROPER,
Commissioner of Internal Revenue.

Approved June 14, 1919.

CARTER GLASS,
Secretary of the Treasury.

REDEMPTION OF DECEDENT'S W. S. S.

The Savings Division of the Treasury has announced the terms by which the government will make payment on war savings stamps in the event of the owner's death.

If the decedent leaves a will which is admitted to probate, or if he dies without making a will, and the estate is administered in court, payment of the decedent's savings certificate shall be made only to the "duly appointed representative of the estate." Administration will be required before payment is made on a savings certificate in all cases where the gross personal estate of the deceased owner exceeds \$500 in value, unless the estate of such decedent is exempt from administration under the laws of the deceased person's state.

Should there be no legal representative of an estate, the certificate will be paid to persons who are equitably entitled in the opinion of the Secretary of the Treasury in the following order of classes: Husband, wife, next-

of-kin, or other person who has preferred claims against the estate or creditor for funeral expenses or expenses of the decedent's last illness.

TEN YEARS OF HIGH PRICES

A long and slow period of declining prices, covering ten years, and possibly more, is foreseen by A. C. Miller of the Federal Reserve Board. In an address delivered recently Dr. Miller discussed the history of price trends since the outbreak of the war and reached the conclusion that for the present prices may go even higher than they are today and that they will be sustained on a relatively high and, perhaps, periodically uneven level for a decade. Dr. Miller finds that high prices are due to currency inflation rather than to any other economic force. By means of increased production and continued saving on the part of the people, and only by these means, can prices come down. To suddenly and by artificial means deflate the currency would have had effects which would not remedy matters; therefore, the world should reconcile itself and its affairs to a long period of high prices. The 30 per cent. drop in prices noted in 1865 after the American Civil War cannot be taken as a criterion, he says. There may be even a further rise in prices during the next year before the long downward trend is felt. A decade is necessary because it will take Europe at least that long to re-establish herself on a normal basis of production. Excepting in cases of investment of great capital for long periods, the decline will not be precipitate enough to cause any business losses.

Dr. Miller sees as the most important task of the present the setting of Europe to work. If it is necessary, the granting of credits and goods on credit to Europe should continue, for only by giving Europeans the tools to work with can they recommence that production without which the old normal basis cannot be restored.

DAYLIGHT HOLD-UP INSURANCE DECISION

The decision of the United States Circuit Court of Appeals, Fifth Circuit, in the case of the Franklin State Bank, Winnsboro, La., vs. the Maryland Casualty Company and United States Fidelity & Guaranty Company brings out an interesting point relative to coverage of daylight hold-up insurance. The plaintiff was a state bank engaged in business at Winnsboro, La. Evidence was introduced by plaintiff tending to show that on the night of February 12, 1917, about nine o'clock, while the vice-president of the bank, Heatherwick, and a citizen, Judge Holstein, were in the bank for the purpose, as claimed, of agreeing on and settling the amount of an overdraft in Judge Holstein's account, a man with a flashlight in one hand and a pistol in the other appeared and ordered Heatherwick to give him the bank's money and then forced them into the bank vault, which had been opened to get the ledger showing Holstein's account with the bank. The man himself standing outside of the door of the vault,

threw Heatherwick a flour sack, and continuing to point the gun at him, forced him to open the inner safe, which was not locked, and which was supposed to contain the money, and to put the money in the sack. Heatherwick testified that he filled the sack with currency and asked the robber if he wanted the silver; the robber shook his head in reply; and Heatherwick then threw the sack to the robber, who grabbed it quickly and slammed the outside door of the vault, and by turning the combination, locked Heatherwick and Holstein in the inside of the vault and disappeared with the sack containing about \$44,000 in currency. Heatherwick and Holstein got out of the vault by the use of a screw driver and iron bar, left in, it is claimed, to meet such an emergency.

The District Judge directed a verdict in the case in which the Maryland Casualty Company was defendant, the verdict was directed because the policy the loss, the undisputed evidence showing the money was taken from an open safe; in the case in which the United States Fidelity & Guaranty Company was defendant, the verdict was directed because the policy issued by it was held to include losses from daylight robberies only.

By this decision the policy of the Maryland Casualty Company, which was written on the A. B. A. form, was construed to cover losses from safes only when they are closed and locked and entrance is effected either by "cracking" the safe or by forcibly compelling an officer or office employee to unlock and open it. The policy of the United States Fidelity & Guaranty Company was its own form and contained certain restrictions. While most of the companies have never raised the question as to whether or not the safe was locked in paying losses for daylight hold-up, in view of the decision rendered, we are not prepared to say what their position in this respect may be in the future, but they have been requested to make a statement, and the A. B. A. Insurance Committee has under consideration the possible amendment of the A. B. A. policy form.

Convention Calendar

| DATE | ASSOCIATION | PLACE |
|---------------|-------------------------------|---------------------|
| July 5 | Nevada | Reno |
| July 10-11 | North Dakota... | Lake Melissa, Minn. |
| Aug. 8-9 | Montana..... | Yellowstone Park |
| Aug. 12-13 | Washington | Mount Rainier |
| Aug. 20-21-22 | North Carolina..... | Winston-Salem |
| Sept. 4 | Delaware | Wilmington |
| Sept. 4-5 | Illinois | La Salle |
| Sept. 4-5 | Kentucky | Louisville |
| Sept. 8-9 | New Mexico..... | Albuquerque |
| Sept. 23-24 | Farm Mortgage Bankers.. | Chicago, Ill. |
| Sept. 29-30 | American Bankers Association, | |
| Oct. 1-2 | | St. Louis, Mo. |
| Oct. 7-8-9 | A. I. B. | New Orleans, La. |
| Nov. 3-4 | Arizona | Phoenix |
| | Indiana | Indianapolis |

State Conventions

Ohio

The Ohio Bankers Association at its convention at Toledo, June 18-19, inaugurated a campaign to secure the membership in the association of every bank in the state, prior to next year's convention. The meeting was one of the most successful and instructive held by the association. Reports from officers of the nine groups in the state and officers of the association showed the banks, both state and national, to be in splendid condition, and business conditions in the districts were reported satisfactory. The association's membership increased during the past year to 1,133.

Fred S. Stever, cashier Merchants National Bank of Defiance, was elected president; S. J. Brister, cashier State Savings Bank of Dover, was chosen vice-president; R. H. Schryver, president First National Bank of Mt. Sterling, was elected secretary for a third term; Arthur B. Taylor, president Lorain County Savings and Trust Company of Elyria, was chosen treasurer.

Fred. W. Hyde, secretary of the National Bank Section of the American Bankers Association, was one of the convention speakers. Philip C. Berg, superintendent State Banking Department, gave an official interpretation of the new Ohio Banking Law. Other speakers were: G. I. Christie, assistant secretary United States Department of Agriculture; James Schmerhorn, publisher *Detroit Times*; William A. Greenlund, former Lieutenant Governor of Ohio and manager Ohio Taxpayers League; Charles W. Whitehair, Cleveland; Ralph W. Cole, former Congressman; Frederick C. Landis, former Congressman from Indiana; Cornell Schreiber, mayor of Toledo, and Charles E. Chittenden, judge of the Toledo Appellate Court.

A committee was appointed to investigate the proposal to establish a Federal Home Loan Bank system.

Resolutions were passed encouraging the sale of thrift stamps; thanking the Ohio Legislature for enactment of the new banking law; recommending the early return of the railroads to their owners; approving the Federal reserve system and urging banks to join; and thanking the entertainers and speakers of the convention.

O. N. Sams, president Merchants National Bank of Hillsboro, and E. L. Coen, vice-president Erie County Banking Company of Vermillion, were chosen members of the Executive Council of the American Bankers Association. Charles W. Slagle, president Merchants National Bank of Dayton, was chosen Vice-President for Ohio. E. C. Edwards, president Buckeye National Bank of Findlay, was elected a member of the nominating committee, and John H. McCoy, secretary-treasurer Peoples Banking and Trust Company of Marietta, alternate; E. S. Hanson, vice-president Superior Savings and Trust Company of Cleveland, was elected Vice-President for the Trust Company Section; H. W. Grant, vice-president City Trust and Savings Company of Youngstown, Vice-President for the Savings Bank Section; Robert

McEvelly, vice-president First National Bank of Cincinnati, Vice-President for the National Bank Section; S. J. Brister, cashier State Savings Bank of Dover, Vice-President for the State Bank Section.

Toledo bankers provided a splendid entertainment program. The committee was in charge of W. H. Yeasting, president Commercial Savings Bank and Trust Company.

Nebraska

The twenty-second annual convention of the Nebraska Bankers Association was held at Omaha, Wednesday and Thursday, June 11 and 12, with about 980 registrations. The delegates were welcomed by former Senator J. H. Millard, president of the Omaha National Bank and also president of the Nebraska Bankers Association and response was made by John M. Flannigan, cashier Citizens Bank of Stuart.

Addresses on the first day were made by R. S. Hawes of St. Louis, First Vice-President of the American Bankers Association; Hon. S. R. McKelvie, Governor of Nebraska; W. B. Bailey, director of the Federal Reserve Bank of Kansas City. Mr. Hawes' subject was "The Interdependence of Bankers." Governor McKelvie spoke on "The Civil Administrative Code" and W. B. Bailey's subject was the "Federal Reserve System."

At a special meeting of members of the American Bankers Association officers for Nebraska were elected as follows: State Vice-President, J. M. Flannigan, cashier Citizens Bank, Stuart; Executive Council, one year, Ed. F. Gallagher, president First National Bank, O'Neill; two years, H. E. Sidles, president Continental State Bank, Lincoln; three years, J. F. Coad, Jr., president Packers State Bank, South Omaha; member Nominating Committee, C. E. Burnham, president Norfolk National Bank, Norfolk; alternate member, J. C. McNish, American Bank, Omaha; Vice-President Trust Company Section, Geo. H. Thummel, vice-president First Trust Company, Omaha; Vice-President State Bank Section, W. H. McDonald, vice-president and cashier McDonald State Bank, North Platte; Vice-President National Bank Section, S. J. Weekes, cashier O'Neill National Bank, O'Neill; Vice-President Savings Bank Section, Fred R. Getty, cashier South Omaha Savings Bank, South Omaha.

The following officers were elected: President, H. K. Frantz, president Bank of Eagle, Eagle; secretary, Wm. B. Hughes, manager Omaha Clearing House, Omaha; treasurer, F. A. Cusaden, assistant cashier Merchants National Bank, Omaha.

Wednesday evening the delegates were initiated into Ak-Sar-Ben, while the ladies were taken to the Rialto Theater, and a dance followed these affairs.

On Thursday afternoon a reception was held at the new building of the Athletic Club. In the evening a big smoker and program of wrestling and boxing was arranged for the bankers; also a dance for those preferring that entertainment.

New York

The twenty-sixth annual convention of the New York State Bankers Association was held at the Hotel Ten Eyck, Albany, June 12 and 13. There was an unusually large attendance of delegates and the program included subjects and speakers of timely interest.

The association adopted a resolution favoring the early return of the railroads to their owners, "with adequate compensation from the Federal Government to place the properties in normal physical condition, to the end that the owners be able to earn reasonable dividends on the investment." Another resolution took cognizance of the fact that many of the traction lines operating in New York State are on the verge of receivership owing to inability to increase revenues to offset the high cost of maintenance, and urgently requested the officials of communities where such conditions exist to effect the necessary changes in present laws so as to enable the lines to meet the new conditions by increased rates.

The visiting delegates were extensively entertained by the Albany bankers. Among other things, they were formally received by Governor and Mrs. Smith at the Executive Mansion. The banquet was a notable event, at which addresses were made by Major John F. O'Ryan, former Commander of the Twenty-seventh Division, Ex-Governor Martin H. Glynn and Rev. C. Wallace Petty of New York.

The following officers were elected: President, D. Irving Mead, vice-president National City Bank, Brooklyn; vice-president, S. G. H. Turner, president Second National Bank, Elmira; treasurer, Chas. H. Bissikummer, president Albany Trust Company, Albany; secretary, Edward J. Gallien, New York.

The American Bankers Association was represented by General Secretary Fred. E. Farnsworth, Fred. W. Hyde, secretary of the National Bank Section, and Amos F. Hill, secretary of the Clearing House Section.

Pennsylvania

The twenty-fifth annual convention of the Pennsylvania Bankers Association was held at Scranton, June 5 and 6, with an attendance of six hundred. The program as arranged was carried out in every detail and among those who made addresses were: Mayor Alexander T. Connell; C. S. Weston, president First National Bank, Scranton; Arthur V. Morton, vice-president Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia; President Frank M. Horn; George W. Norris, Farm Loan Commissioner; Dr. Arthur N. Davis; John S. Fisher, Commissioner of Banking of Pennsylvania; Grover C. Ladner, member of the Commission on Fortifying and Revising the Banking Laws of Pennsylvania; Thomas Patterson; Luther L. Walter; Jonathan C. Day and E. P. Passmore, Governor Federal Reserve Bank of the Third District. Among the resolutions adopted was one recommending the Warfield plan for the return of the railroads.

The entertainments provided consisted of a reception for the visiting ladies at the Century Club, auto-

mobile rides and an automobile trip for all attending the convention to "overlook" the country residence of Mr. M. B. Fuller, at Dalton, where a lawn fête was held from 4.30 to 9.30 p. m., including dancing, a buffet supper and a concert. The American Bankers Association was represented by Assistant Secretary W. G. Fitzwilson.

Officers of the association elected for the ensuing year are as follows: President, Arthur V. Morton, vice-president Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia; vice-president, David Barry, cashier First National Bank, Johnstown; secretary, D. S. Kloss, vice-president First National Bank, Tyrone; treasurer, E. R. Thomas, president National Bank of Royersford, Royersford.

At the meeting of the members of the American Bankers Association in attendance at this convention the following officers were elected: Vice-President for Pennsylvania, B. M. Marlin, secretary and treasurer Union Banking & Trust Co., Du Bois; members Executive Council: David Barry, cashier First National Bank, Johnstown; Joseph Wayne, Jr., president Girard National Bank, Philadelphia; and Harry J. Haas, vice-president First National Bank, Philadelphia (contingent upon the membership of the A. B. A. in Pennsylvania reaching 1100 by August 31, 1919); member Nominating Committee, J. P. McKelvey, vice-president Exchange National Bank, Pittsburgh; alternate member Nominating Committee, Chas. F. Shaw, Jr., assistant cashier Fourth Street National Bank, Philadelphia; Vice-Presidents for Sections: Trust Company, A. C. Robinson, president Peoples Savings & Trust Co., Pittsburgh; Savings Bank, H. T. Montgomery, secretary and treasurer Savings Fund Society of Germantown and vicinity, Philadelphia; National Bank, F. F. Brooks, vice-president First National Bank, Pittsburgh; State Bank, Edgar S. Gardner, president Middle City Bank, Philadelphia.

Idaho

The fifteenth annual convention of the Idaho Bankers Association was held at Burley, June 16 and 17. The attendance was the largest ever registered at any meeting of the association. The program was a timely one, wherein many important and vital interests of bankers were discussed. Mayor Youmans welcomed the delegates and presented them with the key to the city. T. Bailey Lee gave the address of welcome in behalf of the bankers of Burley, to which E. H. Plowhead, cashier Caldwell Commercial Bank, responded. The speakers were President M. B. Gwinn; F. F. Johnson, vice-president Boise City National Bank, whose topic was "The Necessity of Proper Financial Statements"; Dr. Robert E. Grambling; C. A. West, president First National Bank of Emmett, who spoke on "What an Idaho Banker Forgot"; F. F. Johnson, vice-president Boise City National Bank and chairman of the Legislative Committee; and Commissioner Palmer. The American Bankers Association was represented by Leroy A. Mershon, secretary of the Trust Company Section, who addressed the convention on the subject of "Some Vital Needs in the Banking World."

The following officers were elected to serve the association for the ensuing year: President, E. H. Plowhead, cashier Caldwell Commercial Bank, Caldwell; vice-president, G. R. Hitt, cashier Overland National Bank, Boise; treasurer, Will H. Young, cashier Burley State Bank, Burley; secretary, J. W. Robinson, Boise.

Representatives for Idaho in the American Bankers Association: Vice-President, Montie B. Gwinn, director First National Bank of Idaho, Boise; member Nominating Committee, Guy E. Bowerman, vice-president Fremont County Bank, Sugar City (P. O. address, Boise); alternate, F. F. Johnson, vice-president Boise City National Bank; Vice-Presidents of Sections: Trust Company Section, William Thomson, president Idaho Trust Company, Lewiston; Savings Bank Section, Frank L. Davis, cashier Fremont County Bank, Sugar City; National Bank Section, R. J. Comstock, president First National Bank, Rexburg; State Bank Section, G. C. Painter, cashier State Bank of Middleton; Clearing House Section, Crawford Moore, president First National Bank of Idaho, Boise.

Massachusetts

The annual convention of the Massachusetts Bankers Association was held at Swampscott, June 20 and 21. The meeting was successful and interesting. President Elmer A. Onthank gave the address of welcome. Other interesting features were speeches by Frank A. Vanderlip, ex-president National City Bank of New York; Charles A. Eaton of the Emergency Fleet Corporation of the United States Shipping Board; Walker D. Hines, Director General of Railroads, and Frederick P. Fish.

The American Bankers Association was represented by General Secretary Fred. E. Farnsworth and Amos F. Hill, secretary of the Clearing House Section.

Minnesota

The annual convention of the Minnesota Bankers Association was held in St. Paul, June 20 and 21. M. J. Dowling of Olivia delivered an address touching on the subjects of return of railroads and the Federal reserve system. Secretary G. H. Richards of Minneapolis spoke on a new system of protecting outlying banks from daylight robberies. Mr. Louis Betz, chairman of Ramsey County Thrift Stamp Organization, also addressed the convention.

The officers elected for the ensuing year are: President, M. J. Dowling, president Olivia State Bank, Olivia; vice-president, O. M. Nelson, vice-president First National Bank, St. Paul; secretary, George H. Richards, 611 Northwestern Bank Building, Minneapolis (re-elected); treasurer, C. H. Draper, president First National Bank, Wells (re-elected).

The officers elected for the American Bankers Association are as follows: Vice-President, A. H. Turrington, president Lincoln National Bank, Minneapolis; members Executive Council, C. L. Hansen, vice-president First National Bank, Thief River Falls; A. A. Bennett, cashier First National Bank, Renville; member Nominating Committee, J. W. Barton, vice-presi-

dent Metropolitan National Bank, Minneapolis; alternate member of Nominating Committee, C. H. Budd, president Montevideo State Bank, Montevideo; vice-presidents for sections: Trust Company, D. L. Case, vice-president Minneapolis Trust Co., Minneapolis; Savings Bank, Louis Betz, treasurer State Savings Bank, St. Paul; National Bank, A. G. Wedge, Jr., vice-president First National Bank, Bemidji; State Bank, F. A. Gross, president North American Bank, Minneapolis.

Oregon

The Oregon Bankers Association held its fourteenth annual convention at Portland, June 13 and 14. The meeting was the largest in the history of the association. President Crawford called the meeting to order and Acting Mayor Bigelow gave an address of welcome to which F. L. Meyers, cashier of La Grande National Bank, responded. The president's address dealt with general financial conditions and ship building. R. A. Ward, vice-president of the First National Bank of Bend, took for his topic, "A Country Bank's Program for Agricultural Development." Joseph Chapman of Minneapolis spoke on "Some of the Problems of Reconstruction." Russell Lowry of San Francisco addressed the convention on "Financing the Foreign Trade of the Pacific Coast," and Isaac D. Hunt of Portland spoke on "Constructive Banking." The American Bankers Association was represented by Leroy A. Mershon, secretary of the Trust Company Section, who gave an address entitled "Service and Publicity." Other speakers of the convention were Edward Elliott, manager of the department of state bank membership of the Federal Reserve Bank of San Francisco; and A. L. Fraley, president Portland Chapter American Institute of Banking.

A resolution was adopted which expressed in unqualified terms the conviction of the bankers that the interests of the country will be best served by restoration of industries to private management at the earliest practicable moment. The bankers also went on record as favoring adoption of a universal system of physical education. A resolution expressing appreciation of courtesies extended during the convention was adopted.

The officers elected for the coming year are as follows: President, C. S. Hudson, president First National Bank of Bend; vice-president, N. U. Carpenter, president Citizens Bank, Portland; secretary, J. L. Hartman, Hartman & Thompson, Portland (re-elected); treasurer, J. W. McCoy, cashier First National Bank, Ashland.

Virginia

The twenty-sixth annual convention of the Virginia Bankers Association was held at Old Point Comfort, June 19, 20 and 21. President Vaughan's address dealt with the part Virginia bankers have taken in the war and the Federal reserve system. Francis H. Sisson, of New York, read an interesting paper on "Visible Tariff." Robert W. Woolley of the Interstate Commerce Commission, Washington, spoke on

"Possibilities under Federal Control." An address entitled "A Few Items on the Credit Side" was given by F. N. Shepherd of the Chamber of Commerce of the United States. The American Bankers Association was represented by Milton W. Harrison, secretary of the Savings Bank Section, who took for his topic "Banking in Readjustment." Dr. J. Stanley Brown, vice-director of the Savings Division of the Treasury Department, spoke on "Finance in the Future."

A banquet was tendered the ex-officers of the Association Thursday evening and the annual banquet was held the following evening. The delegates and guests were pleasantly entertained at the Naval Base of Hampton Roads on the afternoon of the 20th.

The following are the officers for the ensuing year: President, R. G. Vance, vice-president and cashier First National Bank, Waynesboro; vice-president, Tench F. Tilghman, president Citizens Bank, Norfolk; secretary, W. F. Augustine, Merchants National Bank, Richmond; treasurer, Fred D. Maphis, cashier Peoples National Bank, Strasburg.

Michigan

The thirty-third annual convention of the Michigan Bankers Association was held at Saginaw, June 17, 18 and 19. The meeting was well attended and the program varied and interesting.

The officers elected for the ensuing year are as follows: President, Gerrit J. Diekema, president First State Bank, Holland; first vice-president, John W. Staley, vice-president Peoples State Bank, Detroit; second vice-president, E. S. Bice, vice-president First National Bank, Marquette; secretary, Mrs. H. M. Brown, 1313 Ford Building, Detroit; treasurer, J. Andrew Gerber, president Old State Bank, Fremont.

Amos F. Hill, secretary of the Clearing House Section, represented the American Bankers Association at the convention.

Maine

The annual convention of the Maine Bankers Association was held at Portland, June 14 and 15.

The officers elected to serve for the ensuing year are as follows: President, H. M. Lawton, cashier National Bank of Gardiner, Gardiner; first vice-president, R. H. Baxter, president Bath Trust Co., Bath; second vice-president, A. A. Montgomery, treasurer Portland Savings Bank, Portland; secretary, Edward S. Kennard, cashier Rumford National Bank, Rumford; treasurer, G. A. Safford, secretary and treasurer Hallowell Trust Co., Hallowell.

South Carolina

The nineteenth annual convention of the South Carolina Bankers Association was held at Tybee Island, Savannah, Ga., June 17, 18 and 19, and an attractive program was carried out. Nearly 500 bankers attended.

Addresses were made by the president of the

Savannah Clearing House Association, M. A. O'Byrne; John W. Simpson, vice-president National Loan & Exchange Bank of Columbia; President J. Skottowe Wannamaker of the Association; George R. Wheeler, manager of the South Carolina Land Owners' Association; Col. H. B. Springs, president Farmers & Merchants Bank of Georgetown; Ellison D. Smith, Senator from South Carolina; J. Thomas Heflin, Congressman from Alabama; Albert S. Johnston, director War Loan Organization, Federal Reserve Bank of Richmond; Gaillard Hunt, member of Organization Committee for Constitutional Campaign and Celebration and Official Historian of the War; Forney Johnson of Birmingham. The American Bankers Association was represented by Assistant Secretary W. G. Fitzwilson.

Resolutions endorsing the following were adopted: American Cotton Association, Federal reserve system, increase in bank capital, cutting acreage of cotton and growing foodstuffs, forgetting sectionalism, lower postal rates, the South Carolina Land Owners Association, asking Federal reserve bank to send representative to each bank to get them into the system and to explain trade acceptance, the Warfield railroad plan, securing a secretary beginning next year to give entire time to association, continued cooperation of bankers with farmers not to force the latter to sell cotton when the market is at an unfavorable price.

B. H. Moos, Columbia, attorney for the association, made a report on the legislative program of the association. He expects to secure passage of a bill at the next meeting of the South Carolina legislature to exempt the banks from taxes on their government securities.

The officers of the association elected for the ensuing year are as follows: President, A. E. Padgett, president Farmers Bank, Edgefield; vice-president, H. W. Fraser, cashier The Peoples Bank, Georgetown; secretary-treasurer, Lee G. Holleman, president Peoples Bank, Anderson; attorney, B. Hart Moss, president Edisto National Bank, Orangeburg.

Julien C. Rogers, the former secretary and treasurer of the association, announced when presenting his report that he could no longer serve as secretary and treasurer and therefore tendered his resignation. A special resolution of thanks to Mr. Rogers was unanimously adopted for his excellent services rendered.

At the meeting of the members of the American Bankers Association in attendance at the convention the following officers were elected: Vice-president for South Carolina, E. H. Pringle, Jr., vice-president Bank of Charleston, N. B. A., Charleston; member Executive Council, J. Pope Matthews, president Palmetto National Bank, Columbia; member Nominating Committee, C. D. Jones, president First National Bank, Lancaster; alternate member Nominating Committee, R. I. Woodside, president Farmers & Merchants Bank, Greenville; vice-presidents for South Carolina for the following sections: Trust Company, Wm. King McDowell, president Exchange Banking & Trust Co., Charleston; Savings Bank, Chas. E. Commander, president City Savings Bank, Florence; National Bank, J. A. Murray, cashier St. Matthews National Bank, St. Matthews; State Bank, Harry D. Calhoun, president Home Bank, Barnwell.

Title Changes Among Bank Officers

Following is a list of officers' title changes in institutions which are members of the American Bankers Association, reported to the JOURNAL from May 26 to June 25, inclusive. Members will confer a favor by notifying this department immediately of any such changes. Publication will be made only on receipt of information direct from members.

CALIFORNIA

San Francisco—Walter E. Wilcox elected vice-president Anglo & London Paris National Bank, succeeding C. R. Parker, resigned to become vice-president Guaranty Trust Company of New York, New York.

COLORADO

Greeley—J. M. B. Petrikin, formerly vice-president, elected president First National Bank, succeeding Asa Sterling, deceased; D. B. Wyatt now vice-president.

Haxtum—C. C. McCune, formerly cashier Farmers State Bank, Polk, Neb., elected vice-president First National Bank.

CONNECTICUT

Hartford—Samuel G. Dunham elected vice-president United States Bank; John O. Enders now president.

DISTRICT OF COLUMBIA

Washington—W. W. Spaid elected president Dupont National Bank, succeeding George Howard, deceased.

FLORIDA

Sanford—F. P. Forster appointed president of First National Bank, succeeding F. H. Rand, resigned; L. A. Brumley elected vice-president, succeeding F. P. Forster; T. J. Miller elected second vice-president.

St. Augustine—J. D. Puller elected vice-president First National Bank, succeeding G. B. Lamar, resigned.

IDAHO

Fruitland—F. M. Gardner appointed cashier Fruitland State Bank, succeeding D. L. Ingard.

Pocatello—E. J. Merrill, formerly vice-president First National Bank, elected president Stockgrowers Bank & Trust Company.

ILLINOIS

Batavia—C. D. Newlin, formerly cashier, elected president First National Bank, succeeding A. D. Mallory, retired; Bruce B. Saddock, formerly vice-president Atlas Exchange National Bank, Chicago, now cashier.

Benton—Robert R. Ward elected president Benton State Bank; W. E. Moore and W. C. Ludwig elected vice-presidents.

Blandinsville—Guy Huston, formerly cashier, elected vice-president Huston Banking Company; J. E. Huston now cashier.

Chicago—Nels M. Hokanson, appointed vice-president Union Bank of Chicago.

IOWA

Des Moines—Rollfe O. Wadner appointed vice-president Capital City State Bank, succeeding James A. McKinney, deceased.

Des Moines—Grant McPherrin elected president Central State Bank; John B. McDougal now vice-president.

Sioux City—Norman H. Nelson appointed cashier Mid-West State Bank.

KANSAS

Hiawatha—R. H. Bradley appointed cashier Morrill & Janes Bank, succeeding T. McLaughlin now vice-president.

LOUISIANA

Napoleonville—Louis Corde elected vice-president Bank of Napoleonville, succeeding Walter Guion, resigned.

MASSACHUSETTS

Lynn—George E. Barnard elected vice-president The Lynn Safe Deposit & Trust Company, succeeding Louis M. Winslow, deceased.

Boston—James M. Curley elected president Hibernia Savings Bank, succeeding Patrick O'Hearn.

Boston—Roger Pierce elected vice-president New England Trust Company.

Boston—C. L. Lyall, formerly treasurer, appointed vice-president State Street Trust Company.

Boston—Thomas O. McEnany elected vice-president Sumner Savings Bank, succeeding Charles T. Witt, deceased.

Springfield—E. H. Thomson elected president Federal Land Bank, succeeding Leonard Robinson, resigned to become president Cosmopolitan Bank of New York.

MICHIGAN

Arcadia—George A. Dunham elected vice-president Arcadia Savings Bank; Harvey Grund appointed cashier.

MINNESOTA

South St. Paul—Adolph G. Sam resigned as vice-president Stockyards National Bank to become vice-president Livestock National Bank of Sioux City, Iowa.

MISSOURI

Kingston—Lee Bridgater, formerly assistant treasurer, elected treasurer and secretary Caldwell County Trust Company.

Liberty—Claude M. Donovan appointed vice-president First National Bank.

St. Louis—F. O. Watts elected president First National Bank; Richard S. Hawes elected vice-president; Walker Hill, N. A. McMillan, F. O. Watts elected managers.

MONTANA

Carter—Sam Wilkinson appointed cashier First National Bank.

NEBRASKA

Blair—S. F. Boyden resigned as cashier State Bank of Blair.

Columbus—G. H. Gray elected president First National Bank, succeeding Edward Johnson, deceased.

North Loup—George Mayo elected cashier North Loup State Bank, succeeding James C. Wisda, resigned.

Omaha—John L. Kennedy appointed first vice-president United States National Bank.

NEW JERSEY

Camden—F. F. Patterson, Jr., elected president West Jersey Trust Company, succeeding Norman H. Grey, resigned; Charles H. Laird, Jr., formerly treasurer, now vice-president.

NEW YORK

Coxsackie—Henry A. Jordan elected cashier National Bank, succeeding Ernest Miller, deceased.

New York—Wm. B. Malburn appointed vice-president American Exchange National Bank.

New York—Fred Aspdren resigned as vice-president American Foreign Banking Corporation.

New York—Leonard G. Robinson, formerly president Federal Land Bank, Springfield, Mass., elected president Cosmopolitan Bank.

New York—Merrel Price Gallaway, vice-president Fourth National Bank, Macon, Ga., elected vice-president Guaranty Trust Company.

New York—Roger H. Williams elected vice-president National Bank of Commerce.

New York—James A. Stillman elected president National City Bank, succeeding Frank A. Vanderlip, resigned.

NORTH DAKOTA

Fargo—H. P. Beckwith elected president Northern Savings Bank; H. J. Rush elected vice-president; J. Leo Cline, formerly secretary, appointed treasurer; W. H. Clemens now secretary.

Geneseo—A. C. Bonzer elected vice-president Geneseo State Bank, succeeding W. D. Truax, resigned to become vice-president State Bank of Rockford, Minnesota.

Hannaford—C. Reite elected president First National Bank, succeeding O. E. Thoreson.

Page—T. A. Thompson, formerly cashier, elected vice-president Farmers State Bank; G. E. Doyle now cashier.

OHIO

Cleveland—James Dunn, Jr., elected vice-president Citizens Savings & Trust Co.

OKLAHOMA

Claremore—G. D. Davis, formerly cashier, appointed president National Bank of Claremore.

Clinton—E. K. Thurmond, formerly vice-president, elected president First National Bank; F. H. Crow now vice-president.

PENNSYLVANIA

Gettysburg—Edmund W. Thomas, formerly assistant cashier Penn National Bank, Reading, Pa., elected second vice-president First National Bank.

Kane—S. K. Foote, Jr., formerly treasurer, elected president Kane Bank & Trust Co., succeeding W. P. Weston, deceased; W. A. Longshore, formerly assistant treasurer, now treasurer.

Millsboro—L. G. Walker appointed cashier First National Bank, succeeding E. M. Emery.

Oakmont—Glenn N. Jolly elected cashier First National Bank, succeeding C. D. Lewis, resigned.

Philadelphia—John A. Voetsch, formerly cashier, appointed president Olney Bank; William R. Thomas now cashier.

Philadelphia—John F. Bauder, formerly cashier, elected president Tenth National Bank; Herbert L. Shaffer, formerly assistant cashier, now cashier.

SOUTH DAKOTA

Lake Preston—W. M. Look elected vice-president First National Bank.

Tyndall—H. K. Stilwill elected vice-president First National Bank, succeeding William Thompson, resigned;

Veblen—Ed. J. Rodine, formerly assistant cashier, elected

cashier First National Bank, succeeding Geo. F. Anderson, resigned.

TENNESSEE

Harriman—N. Giles Carter, formerly cashier, elected president First National Bank, succeeding G. W. Carson; M. L. Dame and G. P. Adams elected vice-presidents; Chas. N. Julian appointed cashier.

Memphis—Fred Collins, formerly cashier Milan Banking Co., Milan, elected vice-president Bank of Commerce and Trust Co.

TEXAS

Brownsville—P. M. Lambertson elected vice-president First National Bank.

Channing—D. Wm. Woolley elected vice-president and cashier First National Bank of Channing.

WASHINGTON

Seattle—Charles H. Howell, formerly cashier, elected first vice-president Seaboard National Bank; John L. Proctor, formerly national bank examiner, now cashier.

WEST VIRGINIA

Elkins—N. I. Hall, secretary and treasurer, also elected vice-president Davis Trust Company.

Follansbee—J. V. Balch, formerly assistant cashier Farmers State Bank, Wellsburg, elected cashier Citizens Bank of Follansbee, succeeding Frank Zihlerl, deceased.

Ronceverte—C. E. Boone elected cashier The First National Bank, succeeding A. B. C. Bray, resigned.

WISCONSIN

Madison—Charles O'Neill, formerly cashier, elected vice-president Bank of Wisconsin; H. C. Jamieson now cashier.

Registration at the Association Offices

REPORTED FROM MAY 26 TO JUNE 26, 1919

Allin, A. L., treasurer Middletown Savings Bank, Middletown, Conn.
 Bishop, A. G., president Genesee County Savings Bank, Flint, Mich.
 Burke, Richard, sub-manager Banque Suisse Geneva, Geneva, Switzerland.
 Campbell, Henry M., Detroit, Mich.
 Clarabut, Geo. G., vice-president Farmers National Bank, Rome, New York.
 Damon, W. H., Bond Department Union Trust Company, Chicago, Ill.
 Dismukes, John T., president First National Bank, St. Augustine, Fla.
 Dunning, D. M., president Auburn Savings Bank, Auburn, N. Y.
 Frazier, Raymond R., president Washington Mutual Savings Bank, Seattle, Wash.
 Golay, Maurice Henri, sub-manager Banque Suisse Geneva, Geneva, Switzerland.
 Goldwater, Morris, secretary Arizona Bankers Association, Prescott, Ariz.
 Gothoefer, L. H., president Pittsburgh Trust Company, Pittsburgh, Pa.
 Hawes, R. S., Jr., St. Louis, Mo.
 Henley, R. E., counsel Old Dominion Trust Company, Richmond, Va.
 Hoge, James D., Treasurer American Bankers Association

and Chairman of the Board, Union National Bank, Seattle, Wash.
 Jacobs, John M., president Doylestown National Bank, Doylestown, Pa.
 Johns, H. H., Prescott State Bank, Prescott, Ariz.
 Knox, W. E., comptroller Bowery Savings Bank, New York, N. Y.
 Loughton, G. Ralph, president National Mechanics & Traders Bank, Portsmouth, N. H.
 Lister, F. K., assistant cashier Corn Exchange Bank, New York, N. Y.
 Lyder, Geo. P., Akron, Ohio.
 Malvido, J. P., manager Foreign Exchange Department Banco Internacional de Cuba, Havana, Cuba.
 McNally, R. F., vice-president and cashier National Bank of Commerce, St. Louis, Mo.
 Miller, Walter E., president First National Bank, Nampa, Idaho.
 Parker, Henry G., president National Bank of New Jersey, New Brunswick, N. J.
 Purcell, Thos. W., assistant secretary Old Dominion Trust Co., Richmond, Va.
 Shurley, Jno. R., cashier Citizens Bank & Trust Co., Rock Hill, S. C.
 Smith, Alfred C., vice-president and cashier City National Bank, Clinton, Iowa.
 Wassing, Florence E., Citizens Savings Bank, Stamford, Conn.
 Wiltbank, L. D., New York, N. Y.

Membership Changes

REPORTED FROM MAY 26 TO JUNE 25, 1919

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The General Secretary of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the JOURNAL.

| | | | | | |
|-----------------|---|--|--|--|--|
| California..... | Bakersfield..... | Producers Savings Bank converted to Producers National Bank and merged with First National Bank. | New York..... | Kingston..... | Kingston National Bank succeeded by Kingston Trust Co. |
| Maricopa..... | Producers Savings Bank succeeded by First National Bank of Bakersfield. | New York..... | Potter, Choate and Prentice succeeded by Potter Bros. & Co. | | |
| Taft..... | Producers Savings Bank succeeded by First National Bank of Bakersfield. | New York..... | Sherman National Bank succeeded by Irving Trust Co., Sherman Office. | | |
| Wasco..... | Producers Savings Bank succeeded by First National Bank of Bakersfield. | North Carolina.. | Winston-Salem.. | Merchants National Bank changed to Merchants Bank & Trust Co. | |
| Iowa..... | Little Sioux..... | Ohio..... | Cincinnati..... | Market National Bank merged with Fifth-third National Bank. | |
| Louisiana..... | New Orleans..... | Cleveland..... | Cleveland..... | Cleveland National Bank merged with Guardian Savings & Trust Co. | |
| | | Mineral City..... | Mineral City..... | Mineral City Bank Co. in liquidation. | |
| | | Oklahoma..... | Tonkawa..... | Tonkawa National Bank succeeded by American State Bank. | |
| | Oberlin..... | Pennsylvania..... | Jeannette..... | Glass City Union Deposit Bank changed to Glass City Bank. | |
| Maine..... | Fairfield..... | Port Royal..... | Port Royal..... | Port Royal Bank changed to Port Royal National Bank. | |
| Missouri..... | Kansas City..... | Tennessee..... | Oneida..... | Scott County National Bank changed to First National Bank. | |
| | | West Virginia.... | Wheeling..... | Commercial Bank discontinued and assets purchased by Wheeling Bank & Trust Co. | |
| | Polo..... | Wisconsin..... | Milwaukee..... | First National Bank and Wisconsin National Bank consolidated as First Wisconsin National Bank. | |
| | St. Louis..... | | | | |

New and Regained Members from May 26 to June 25, 1919, Inclusive

Alabama

Central Bank & Trust Co., Jasper 61-128.

Arkansas

Security Bank & Trust Co., Paragould 81-82.

California

Vallejo Commercial National Bank, Vallejo 90-154.

Georgia

Farmers Bank, Alamo, 64-877.
Farmers & Merchants Bank, Cleveland 64-885.
Georgia State Savings Association, Savannah 38-52.
Savannah Agency, Federal Reserve Bank of Atlanta, Savannah.
First National Bank, Shellman 64-409 (regained).
Citizens Bank, Vidalia 64-296.

Idaho

Grangeville Savings & Trust Co., Grangeville 92-75.

Illinois

University State Bank, Chicago 2-291.
Commercial Bank of Chicago Heights, Chicago Heights 70-180.
Corn State Bank, Easton 70-1087.
Lake Villa Trust & Savings Bank, Lake Villa 70-1772.
Media State Bank, Media 70-1452.
First Trust & Savings Bank, Morris 70-1903.
Plano State Bank, Plano 70-702.
Farmers State Bank, Tamaroa 70-901.

Indiana

Ninth Street State Bank, Clinton 71-305.
Grabill State Bank, Grabill 71-767.

Iowa

First Trust & Savings Bank, Akron 72-1955.
White-Phillips Co., Davenport.
First National Bank, Hawkeye 72-963 (regained).
Marathon Savings Bank, Marathon 72-940.

Kansas

First National Bank, Quinter 83-1253.

Kentucky

Central Savings Bank & Trust Co., Covington 73-21.
The Peoples Bank, Pikeville 73-685.

Louisiana

West Monroe State Bank, West Monroe 84-249.

Maine

Androscoggin County Savings Bank, Lewiston 52-26.

Maryland

Bishopville Bank, Bishopville 65-145.
Clear Spring National Bank, Clear Spring 65-151.

Massachusetts

Braintree National Bank, Braintree 53-625.

Michigan

State Savings Bank, Essexville 74-906.
Paw Paw Savings Bank, Paw Paw 74-378.

Minnesota

Buhl State Bank, Buhl 75-1443.
Farmers State Bank, Hatfield 75-1173.
First National Bank, Lancaster 75-618.

Mississippi

Farmers Savings Bank, Batesville 85-420.
Isola State Bank, Isola 85-480.

Missouri

Continental National Bank, Kansas City 18-28.
Dent County Savings Bank, Salem 80-370.

Montana

First National Bank, Molt 93-427.

Nebraska

Citizens State Bank, Holdredge 76-1207.
State Bank of Laurel, Laurel 76-1184.
Commercial State Bank, Republican City 76-850 (regained).

New Jersey

Bergenfield National Bank, Bergenfield 55-494.
Orange Valley Bank, Orange 55-176.

New Mexico

Rio Arriba State Bank, Chama 95-154.

New York

Bank of Au Sable Forks, Au Sable Forks 50-655.
Conewango Valley National Bank, Conewango Valley 50-970.
Croghan National Bank, Croghan 50-972.
Foreign Trade Banking Corporation, New York 1-305.
Park-Union Foreign Banking Corporation, New York 1-308.
Port Washington National Bank, Port Washington 50-992.

North Carolina

Bank of Mooresboro, Mooresboro 66-400.

North Dakota

Capital Security Bank, Bismarck 77-32.
Farmers State Bank, Maddock 77-647.

Ohio

Loramie Banking Co., Fort Loramie 56-1025.
Mogadore Savings Bank, Mogadore 56-1282.
Oakwood Deposit Bank Co., Oakwood 56-1087.

Oklahoma

First State Bank, Albion 86-665 (regained).
State National Bank, Shawnee 86-32 (regained).
First State Bank, Aylesworth 86-1078.
Garber State Bank, Garber 86-611.
Farmers Bank of Illinois, Gore 86-761.
Stockgrowers State Bank, Pawhuska 86-1109.
Richland State Bank, Richland 86-981.
Farmers State Bank, Ripley 86-621.
First State Bank, Vinita 86-114 (regained).
Citizens State Bank, Webbers Falls 86-614.

Oregon

Nestucca Valley Bank, Cloverdale 96-255 (regained).

Pennsylvania

Clymer National Bank, Clymer 60-1110.
Valley National Bank, Green Lane 60-1178.
First National Bank, Lancaster 60-141.
Citizens Bank, Parsons 60-1296.
Womelsdorf Union Bank, Womelsdorf 60-1398.

South Carolina

Bank of Conestee, Conestee 67-489.
First National Bank, Manning 67-177.

South Dakota

First National Bank, Faulkton 78-709.
National Bank of Gary, Gary 78-281.
Liberty State Bank, Hillhead 78-749.
First National Bank, Menno 78-746.

Tennessee

First National Bank, South Pittsburg 87-165.
Home Bank, Winchester 87-213.

Texas

First State Bank, Bay City 88-293.
Guaranty State Bank, Breckenridge 88-1811.
American State Bank, Burkburnett 88-1840.
First State Bank, Caldwell 88-566.
Farmers & Merchants National Bank, De Leon 88-702.

Texas—Continued

Eden State Bank, Eden 88-1039.
First State Bank, Hale Center 88-1084.
Citizens State Bank, Hempstead 88-417.
Guaranty State Bank, Mt. Pleasant 88-1532.
Farmers & Merchants State Bank, Rusk 88-527.
First National Bank, Rusk 88-526.
American National Bank, Terrell 88-151.
Robert O. Silvers & Co., Waco.

Utah

Central Bank of Bingham, Bingham Canyon 97-125.

Virginia

National Mechanics Bank, Newport News 68-97.
Rappahannock National Bank, Washington 68-297.
City Bank & Trust Co., Norfolk 68-51.

West Virginia

Bank of St. Albans, St. Albans 69-185.
Day & Night Bank, Williamson 69-384.

Wisconsin

Farmers State Bank, Arcadia 79-808.
Bank of Clear Lake, Clear Lake 79-845.
State Bank of Dane, Dane 79-733.
Citizens State Bank, Montfort 79-418.
Farmers State Bank, Mosinee 79-851.
First National Bank, Rio 79-394.
Northern State Bank, Washburn 79-221.

Wyoming

Commercial Bank, Greybull 99-162.
First National Bank, Manville 99-165.
Stock Growers State Bank, Saratoga 99-132.
State Bank of Chugwater, Chugwater 99-195.

Mexico

Lacaud & Son, Monterrey, Nuevo Leon.

Entertainment Expenses at the St. Louis Convention

The following letter written by President Maddox of the American Bankers Association to President Watts of the St. Louis Clearing House Association is self-explanatory:

July 1, 1919.

MR. F. O. WATTS, *President*,
St. Louis Clearing House Association,
St. Louis, Mo.

DEAR MR. WATTS: Referring to the invitation of St. Louis to entertain the next Annual Convention of the American Bankers Association, which invitation has been accepted, the time being fixed for the week of September 29th, we beg to express our sincere appreciation for allowing us to meet in your splendid city and hope that the convention will be largely at-

tended; that its deliberations will be profitable to the Association and beneficial to the entire country.

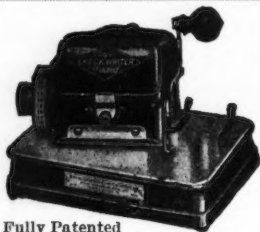
We beg to call your attention to a resolution which was adopted by the Administrative Committee at its meeting on January 23, 1919, requesting the cities which should thereafter entertain our Annual Convention to limit their expenditures to \$10,000.

When we accepted the St. Louis invitation it was done with the understanding that not more than \$10,000 would be expended on account of the convention and we hope you will advise the members of the St. Louis Clearing House of this action.

Thanking you in advance for the hospitality of St. Louis which I am sure we will all enjoy, I am

Yours very truly,
ROBERT F. MADDOX, *President*.





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